

CITY COUNCIL BUDGET RETREAT

CITY COUNCIL BUDGET RETREAT
THURSDAY AND FRIDAY
FEBRUARY 3 - 4, 2022

COUNCIL CHAMBERS
211 WEST ASPEN AVENUE
8:30 A.M.

ATTENTION

IN-PERSON AUDIENCES AT CITY COUNCIL MEETINGS HAVE BEEN SUSPENDED UNTIL FURTHER NOTICE

All City Council Meetings are live streamed on the city's website
(<https://www.flagstaff.az.gov/1461/Streaming-City-Council-Meetings>)

PUBLIC COMMENT

Verbal public comments may be given through a virtual public comment platform.

If you want to provide a verbal comment during the Council Meeting, use the link below to join the virtual public comment room.

[VIRTUAL PUBLIC COMMENT WAITING ROOM](#)

Written comments may be submitted to publiccomment@flagstaffaz.gov. All comments submitted via email will be considered written comments and will be documented into the record as such.

1. Call to Order

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

NOTE: One or more Councilmembers may be in attendance through other technological means.

MAYOR DEASY
VICE MAYOR DAGGETT
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY

COUNCILMEMBER SALAS
COUNCILMEMBER SHIMONI
COUNCILMEMBER SWEET

3. Pledge of Allegiance, Mission Statement, and Land Acknowledgement

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. City Council Fiscal Year 2022-2023 Budget Retreat

STAFF RECOMMENDED ACTION:

Discuss and provide direction for the Fiscal Year 2022-2023 budget.

5. Public Participation

6. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____, at _____ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this _____ day of _____, 2022.

Stacy Saltzburg, MMC, City Clerk

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Rick Tadder, Management Services Director
Co-Submitter: Budget Team
Date: 02/01/2022
Meeting Date: 02/03/2022



TITLE

City Council Fiscal Year 2022-2023 Budget Retreat

STAFF RECOMMENDED ACTION:

Discuss and provide direction for the Fiscal Year 2022-2023 budget.

EXECUTIVE SUMMARY:

The budget for the City of Flagstaff is the policy document that reflects the goals and objectives of the City Council. Over the course of several months, the City Council meets to gather input on major budget issues prior to the preparation of the budget.

The February 3rd and 4th retreat will be the second of three City Council budget retreats for the upcoming FY 2022-2023 budget. This special meeting is set to provide a financial outlook to the Council and to provide additional information and receive City Council on some budget issues. The main goal of the retreat is for the City Council to provide FY 2022-2023 budget direction to the City Manager.

INFORMATION:

A detailed agenda for the budget retreat is attached. Agenda topics include:

- Retreat Welcome
- Budget Timeline
- Priority Based Budget
- Revenue Updates
- Available Resources and Fixed Costs
- Investing in Employees
- Bond Committee Update
- Federal Funding Update
- Resource Allocations and Priorities
- Council Forum/Budget Expectations
- Public Participation

Please find attached the following:

- Detailed Agenda
- Budget Retreat Presentation
- Color of Money
- Priority Based Budget Priorities and Objectives

Attachments: Agenda
 Presentation
 Color of Money
 Priority Based Budgeting Priorities and Objectives

City Council Budget Retreat

February 3-4, 2022

Detailed Agenda

| Time | Duration (Min) | Topic | Staff |
|----------------|----------------|--|---|
| 8:30am | 10 | Welcome and Objectives | Nicole Lance |
| 8:40am | 5 | Budget Timeline | Heidi Derryberry |
| 8:45am | 15 | Priority Based Budget (PBB) <ul style="list-style-type: none"> • Process • Focus • Budgeter Tool | Shane Dille Chris Rhode |
| 9:00am | 45 | Revenue Updates <ul style="list-style-type: none"> • General Fund Revenues • Highway User Revenue Fund (HURF) • Bed, Board and Beverage (BBB) Funds • Other Revenues | Rick Tadder |
| 9:45am | 15 | Break | |
| 10:00am | 30 | Available Resources and Fixed Costs <ul style="list-style-type: none"> • Available Resources - General Fund • Pension Cost Trends • Fixed Costs - General Fund | Heidi Derryberry |
| 10:30am | 75 | Investing in Employees Update <ul style="list-style-type: none"> • Introduction • Compensation Program • Recruitment/Retention • Employee Advisory Committee • Benefits • Council Direction | Greg Clifton Jeanie Gallagher Brandi Suda EAC Rep |
| 11:45am | 30 | Lunch | |
| 12:15pm | 15 | Bond Committee Update | Shannon Anderson |
| 12:30pm | 60 | Federal Funding Update <ul style="list-style-type: none"> • Coronavirus State and Local Fiscal Recovery Funds (CLFRF)/ American Rescue Plan Act (ARPA) • Infrastructure Investment and Jobs Act (IIJA) • Arizona Environmental Infrastructure Priority List • Build Back Better • Airport • Future Updates | Stacey Brechler-Knaggs Sarah Langley Barney Helmick Brian Gall |
| 1:30pm | 15 | Break | |

Please note: All times are estimates and items could be reordered during the meeting. Agenda items from 2/3/22 may be rescheduled to 2/4/22 as needed.

City Council Budget Retreat

February 3-4, 2022

Detailed Agenda

| Time | Duration (Min) | Topic | Staff |
|----------------|----------------|--|--|
| 1:45pm | 60 | Resource Allocations and Priorities <ul style="list-style-type: none"> • Infrastructure <ul style="list-style-type: none"> ➤ Stormwater ➤ Wastewater ➤ Public Safety • Carbon Neutrality • Housing (Continued next day) | Andy Bertelsen Mark Wilson Nicole Antonopoulos Sarah Darr |
| 2:45pm | | Closing Comments/Public Participation | |
| 8:30am | 15 | Welcome | Nicole Lance |
| 8:45am | 60 | Resource Allocations and Priorities (Continued from prior day) <ul style="list-style-type: none"> • Capital Improvements • Facilities/Fleet • Information Technology • Council Direction | Rick Barrett Trevor Henry Scott Overton CJ Perry |
| 9:45am | 30 | Council Forum and Budget Expectations for April Retreat | Mayor Deasy Greg Clifton |
| 10:15am | | Closing Comments/ Public Participation | |

Please note: All times are estimates and items could be reordered during the meeting. Agenda items from 2/3/22 may be rescheduled to 2/4/22 as needed.



**The
Budget Team**
CITY OF FLAGSTAFF



Council Budget Retreat February 3 – 4, 2022



The
Budget Team
CITY OF FLAGSTAFF



Welcome and Objectives

Welcome



- Welcome
- Objectives
- Meeting Protocol

Agenda



- Budget Timeline
- Priority Based Budget
- Revenue Updates
- Available Resources and Fixed Costs
- Investing in Employees Update
- Bond Committee Update
- Federal Funding Update
- Resource Allocations and Priorities
- Council Forum/Budget Expectations

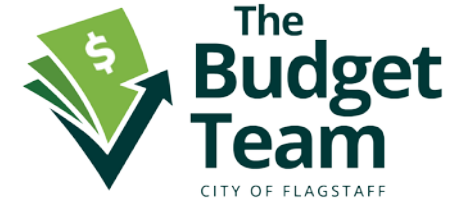


The
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Budget Timeline

Budget Timeline



- February 3 & 4, 2022 – 2nd Council Budget Retreat
- April 21 & 22, 2022 – City Manager Recommended Budget Retreat
- June 7, 2022 – Tentative Budget Adoption
- June 21, 2022
 - Property Tax Levy Hearing
 - 1st Reading of Property Tax Adoption
 - Final Budget Adoption
- July 5, 2022 – Final Reading of Property Tax Adoption



The
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CITY OF FLAGSTAFF



Priority Based Budget (PBB)

Process



- Program Inventory
 - Governance
 - Community
- Program Costing
- Program Scoring
 - Based on Priorities and Objectives
- Budget Requests

CITY OF FLAGSTAFF








Key Community Priorities



CITY OF FLAGSTAFF

Priority Based Budgeting Priorities and Objectives



|  High Performing Governance |  Safe & Healthy Community |  Inclusive & Engaged Community |  Sustainable, Innovative Infrastructure |  Robust Resilient Economy |  Livable Community |  Environmental Stewardship |
|--|--|--|--|--|---|--|
| Serve the public by providing high quality customer service | Enhance community engagement & strengthen relationships between the community & public safety services | Foster community pride & civic engagement by increasing opportunities for public involvement, in line with best practices & legal requirements | Deliver outstanding services to residents through a healthy, well maintained infrastructure system | Support & strengthen a more robust, diverse, & sustainable economy in ways that reflect community values & provides for affordable housing opportunities | Create a welcoming community through partnerships, resilient neighborhoods, & civic engagement | Promote, protect & enhance a healthy, sustainable environment & its natural resources |
| Foster community-wide clear & consistent communication strategies & products | Support social services, community partners & housing opportunities | Advance social equity & social justice in Flagstaff by supporting social services | Utilize existing long-range plan(s) that identify the community's future infrastructure needs & all associated costs | Maintain & enhance an equitable & effective business recruitment, retention, & expansion program throughout the community | Provide amenities & activities that support a healthy lifestyle | Engage community members through education & volunteer opportunities |
| Encourage public trust through transparency, accessibility & use of the City's public participation policy | Provide alternative responses, resources & programs, inclusive of mental health & other services | Facilitate & foster diversity & inclusivity, including support of anti-racist policies & practices | Provide effective management of and infrastructure for all modes of transportation | Enhance understanding between the development community, the City & Flagstaff residents | Support regional partners which provide equitable & inclusive educational opportunities for Flagstaff residents of all ages | Implement sustainable building practices, enhance waste diversion programs, alternative energy programs & multi-modal transportation options |
| Enhance the organization's fiscal stability & increase efficiency & effectiveness | Provide public safety services with resources, staff & training responsive to the community's needs | Enhance community involvement, education & regional partnerships to strengthen the level of public trust | Facilitate & develop carbon-neutral energy opportunities | Attract employers that provide high quality jobs & have a low impact on infrastructure & natural resources | Actively support attainable & affordable housing through City projects & opportunities with developers | Increase the private sector's participation in environmental stewardship efforts |
| Implement innovative local government programs, new ideas & best practices; be recognized as a model for others to follow | Promote physical health through providing recreation opportunities, parks, open space & multiple transportation options | Ensure city facilities, services, & programs are accessible for all residents & representative of Flagstaff's diverse community | Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not | Enhance the community's workforce development programs & improve partnerships with higher education institutions & the private & public sectors | Support diverse employment opportunities that provide residents with a living wage | Implement, maintain & further the Climate Action & Adaptation Plan (CAAP) with awareness of social inequities |
| Be an employer of choice through inclusive recruitment & by providing employees with the necessary tools, training, support & compensation | Ensure the built environment is safe through the use of consistent standards, rules & regulations, & land use practices | Promote environmental justice & the fair distribution of environmental benefits | | Embrace & invest in responsible tourism opportunities to promote economic development | Achieve a well-maintained community through comprehensive & equitable code compliance, & development that is compatible with community values | Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, & social systems |

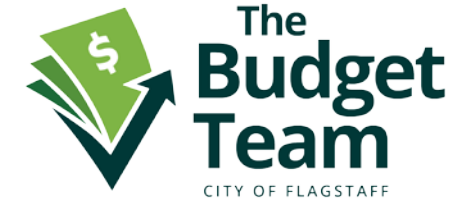
THE OBJECTIVES LISTED IN THIS DOCUMENT WERE APPROVED BY COUNCIL ON NOVEMBER 10, 2020.

New Budgeter Tool



- Web-based
- Allows requests by PBB program or line item
- Links request to program scores
 - Grounded in Priorities and Objectives
- Incorporates Carbon Neutrality Plan

New Budgeter Tool



resourceX Flagstaff

Final-2022

All PBB Sections

<

Set Up

Data

Insights

Action

1

2

3

4

⚙️

⚙️

☰

Program: Office of Labor Standards

Program Description: Manage community outreach, engagement, education and compliance related to the minimum wage ordinance. Implement increases to the minimum wage as mandated.

Total Cost: \$36,701

Program Revenue:

Program Budget Request Description *

0/100

How does this request impact the program service level?:

Is this a new funding request or a base budget reallocation request?:

Is this request Recurring or One-time? (select one):

For this request you need...

Personnel ☐

NonPersonnel ☐

< Go Back

New Budgeter Tool



Program: Office of Labor Standards

Program Description: Reallocated funding to increased business contact

Total Cost: \$36,701

Program Revenue:

Request:

Enhances service level: **Enhances service level**

Base Budget Reallocation Request: **Base Budget Reallocation Request**

Recurring : **Recurring**

Before

Personnel Cost - \$17,955

NonPersonnel Cost - \$18,746

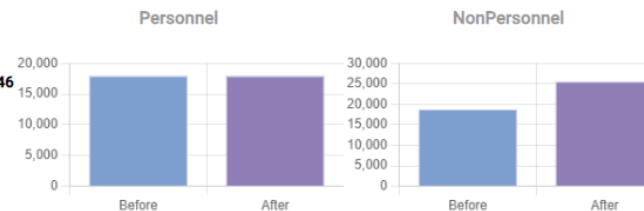
Total Cost - \$36,701

After

Personnel Cost - \$17,955

NonPersonnel Cost - \$25,546

Total Cost - \$43,501



Quartile: 3

Program Attributes

MANDATED to PROVIDE PROGRAM: Self mandate (City ordinance or voter-approved tax)

RELIANCE on CITY to PROVIDE PROGRAM: City is sole provider of service (including contracting out services)

COST RECOVERY of PROGRAM: 1% - 50% cost recovery

CHANGE in DEMAND for the PROGRAM: Increasing Demand

CAPACITY to SERVE: The program has the capacity to serve more than 50% of the intended population

Results Alignment

Environmental Stewardship: None

Safe & Healthy Community: Some

Robust Resilient Economy: Strong

Inclusive & Engaged Community: Extreme

Livable Community: Strong

Sustainable, Innovative Infra.: Some

Tools, Training, & Support: N/A

Innovation & Best Practices: N/A

Trust & Transparency: N/A

Customer Service: N/A

Efficiency & Effectiveness: N/A

Communication Strategies: N/A

New Budgeter Tool



Request: Reallocated funding to increased business contact

Is there an opportunity to reallocate and reduce other line items to offset this request? If yes, please describe.

Type here...

Have the appropriate parties been contacted & consulted if this request impacts them (such as technology requests, fleet requests, etc)?

Type here...

Carbon Neutrality Plan (CNP) Strategy #1. Enter the most aligned CNP Strategy # and explain how this funding request aligns with that strategy.

Type here...

Carbon Neutrality Plan (CNP) Strategy #2. Enter the second most aligned CNP Strategy # and explain how this funding request aligns with that strategy.

Type here...

Carbon Neutrality Plan (CNP) Strategy #3. Enter the third most aligned CNP Strategy # and explain how this funding request aligns with that strategy.

Type here...

What will the operational impact be if the funding request is not approved?

Type here...

Was this request funded with one-time allocation in the current year? If yes, provide the amount requested and approved.

Type here...

If this request funds a Quartile 4 program, provide reason for investing additional funding.

Type here...

Is this request funded with program revenue or is there outside funding available for the request? If yes, provide the details of that funding, such as the amount, source, length of funding, etc.

Type here...

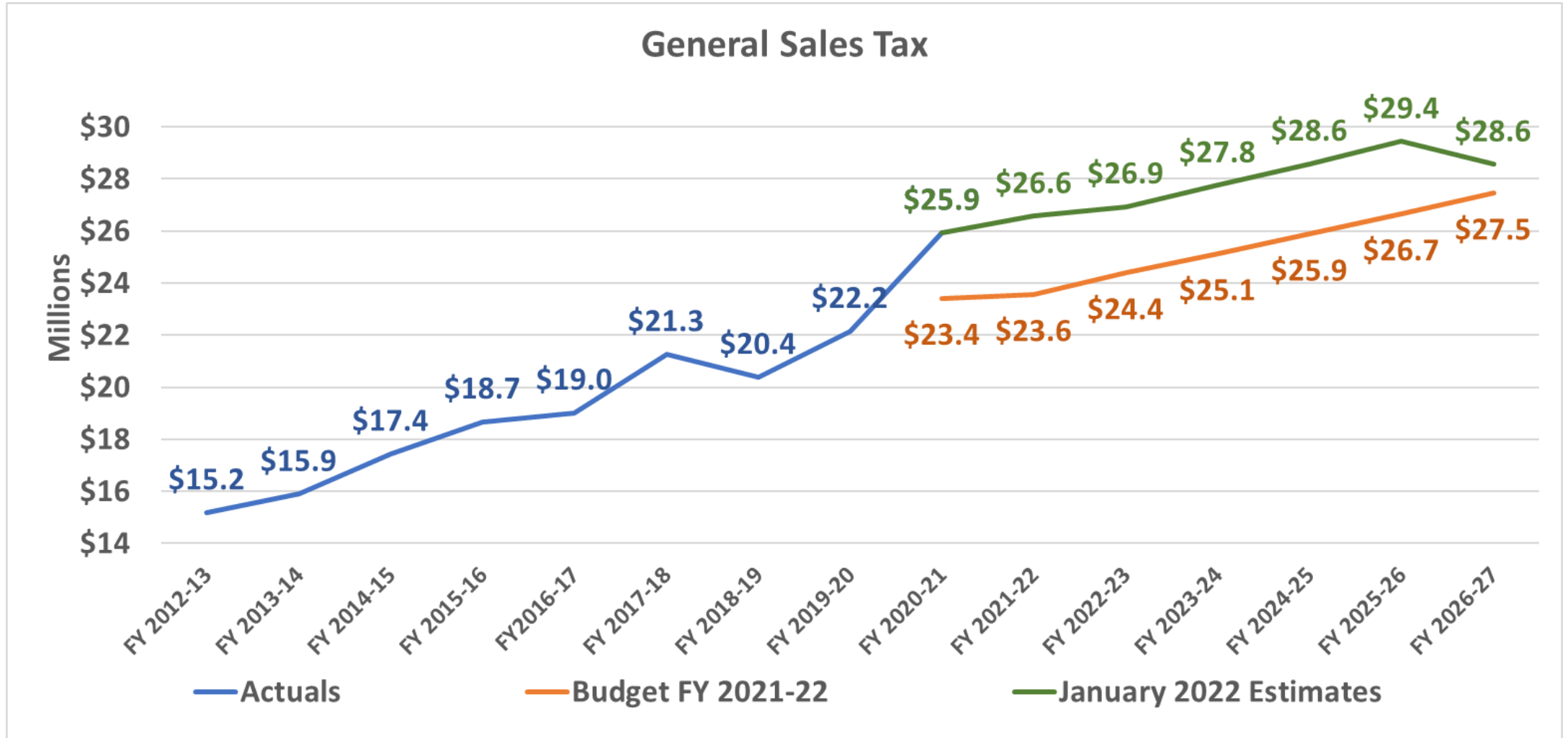


The
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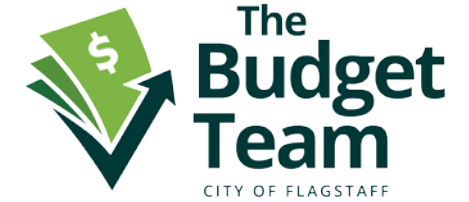


Revenue Update

General Fund

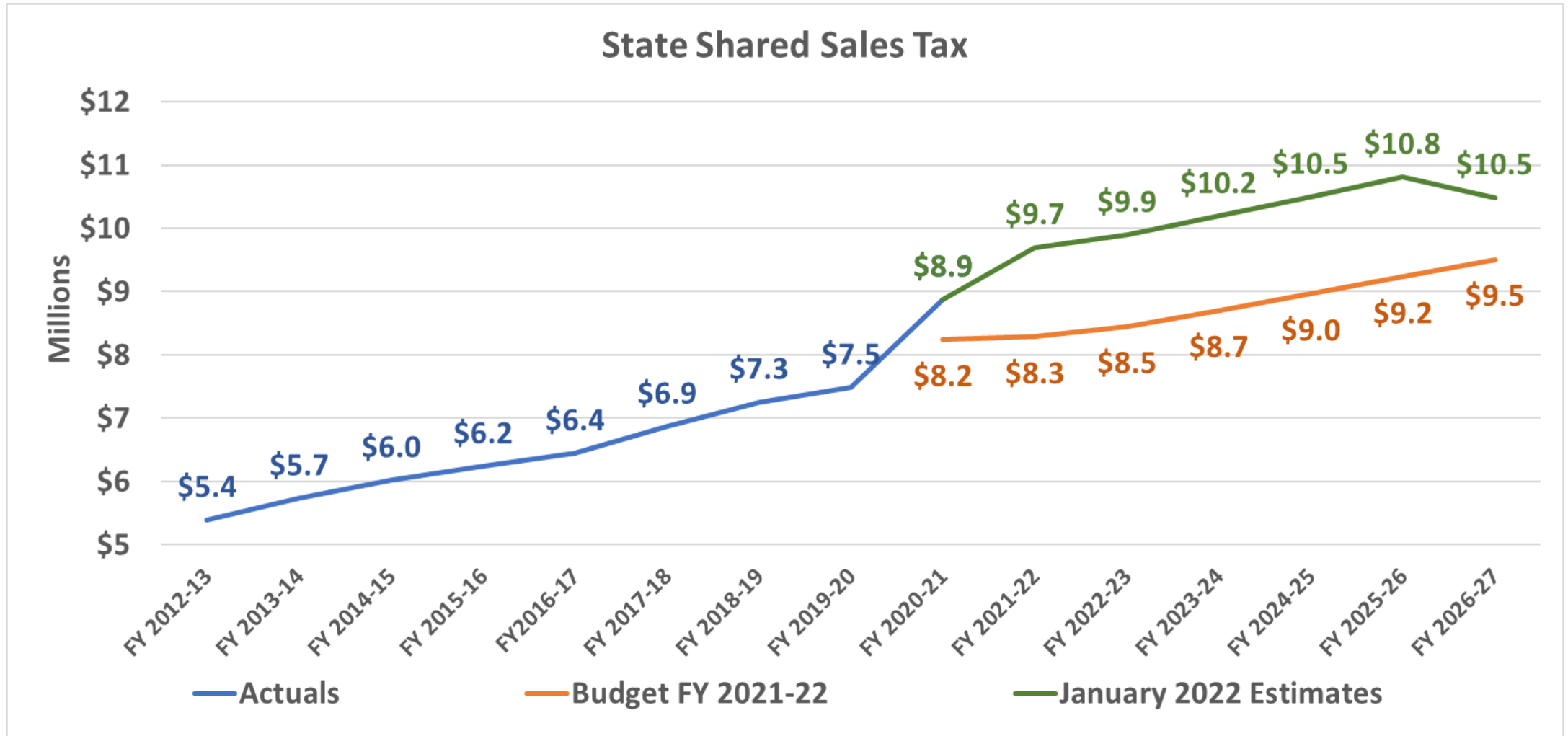


General Fund



| Category | FY 2020-21 | | | | % |
|---------------------------------|----------------------|----------------------|-------------------|-----------|---|
| | Actual | FY 2021-22 Estimate | Change | Change | |
| Sales Taxes | | | | | |
| Utilities | \$ 1,048,716 | \$ 1,063,000 | \$ 14,284 | 1% | |
| Telecommunications | 146,517 | 146,000 | (517) | 0% | |
| Restaurant/Bars | 2,932,835 | 3,232,000 | 299,165 | 10% | |
| Amusements | 43,459 | 74,000 | 30,541 | 70% | |
| Commercial Rental | 1,155,087 | 1,066,000 | (89,087) | -8% | |
| Personal Property Rental | 692,359 | 755,000 | 62,641 | 9% | |
| Contracting | 2,352,792 | 2,230,000 | (122,792) | -5% | |
| Retail | 13,075,833 | 13,390,000 | 314,167 | 2% | |
| Marketplace Retail (outside AZ) | 860,794 | 1,002,000 | 141,206 | 16% | |
| Hotel/Motel/STR | 1,592,928 | 1,743,000 | 150,072 | 9% | |
| Miscellaneous | 110,436 | 96,000 | (14,436) | -13% | |
| Use Tax | 1,920,847 | 1,777,000 | (143,847) | -7% | |
| Sales Taxes Total | \$ 25,932,603 | \$ 26,574,000 | \$ 641,397 | 2% | |

General Fund



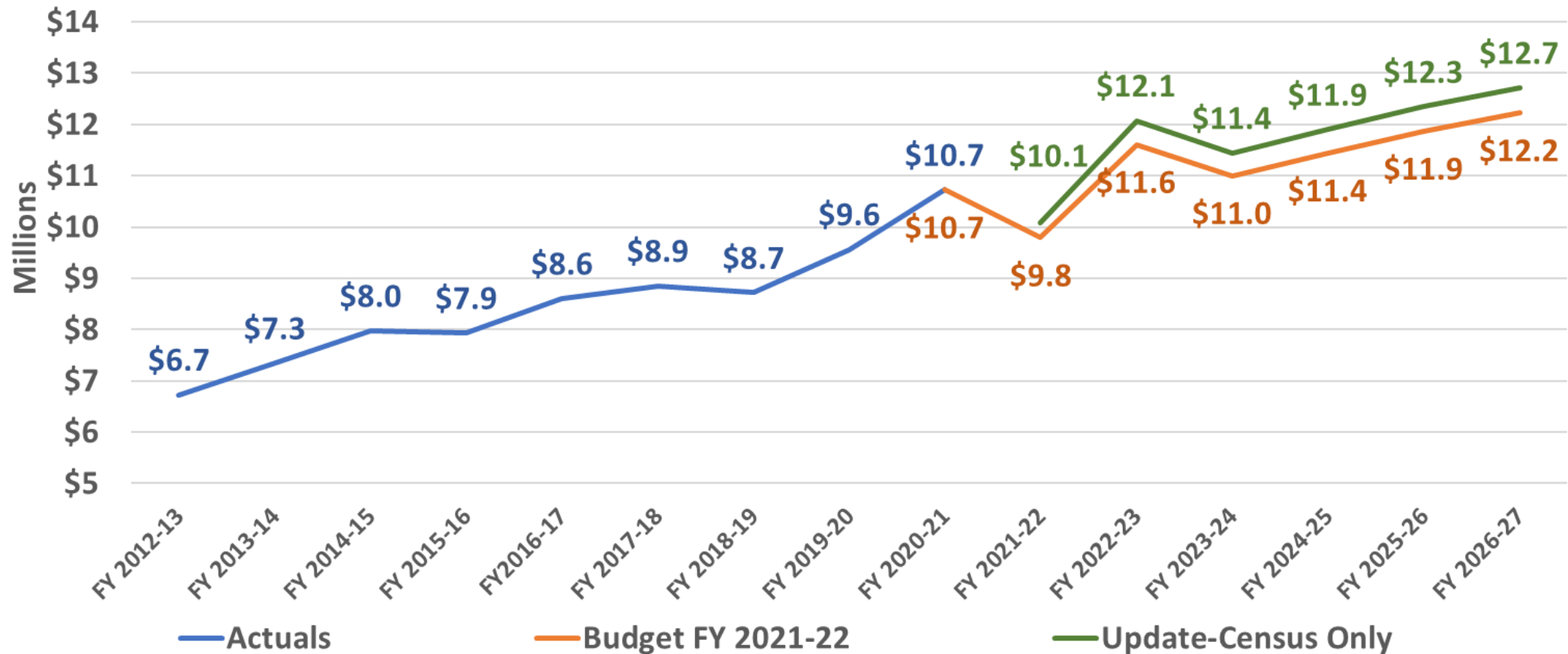
General Fund

- State Shared Income Tax

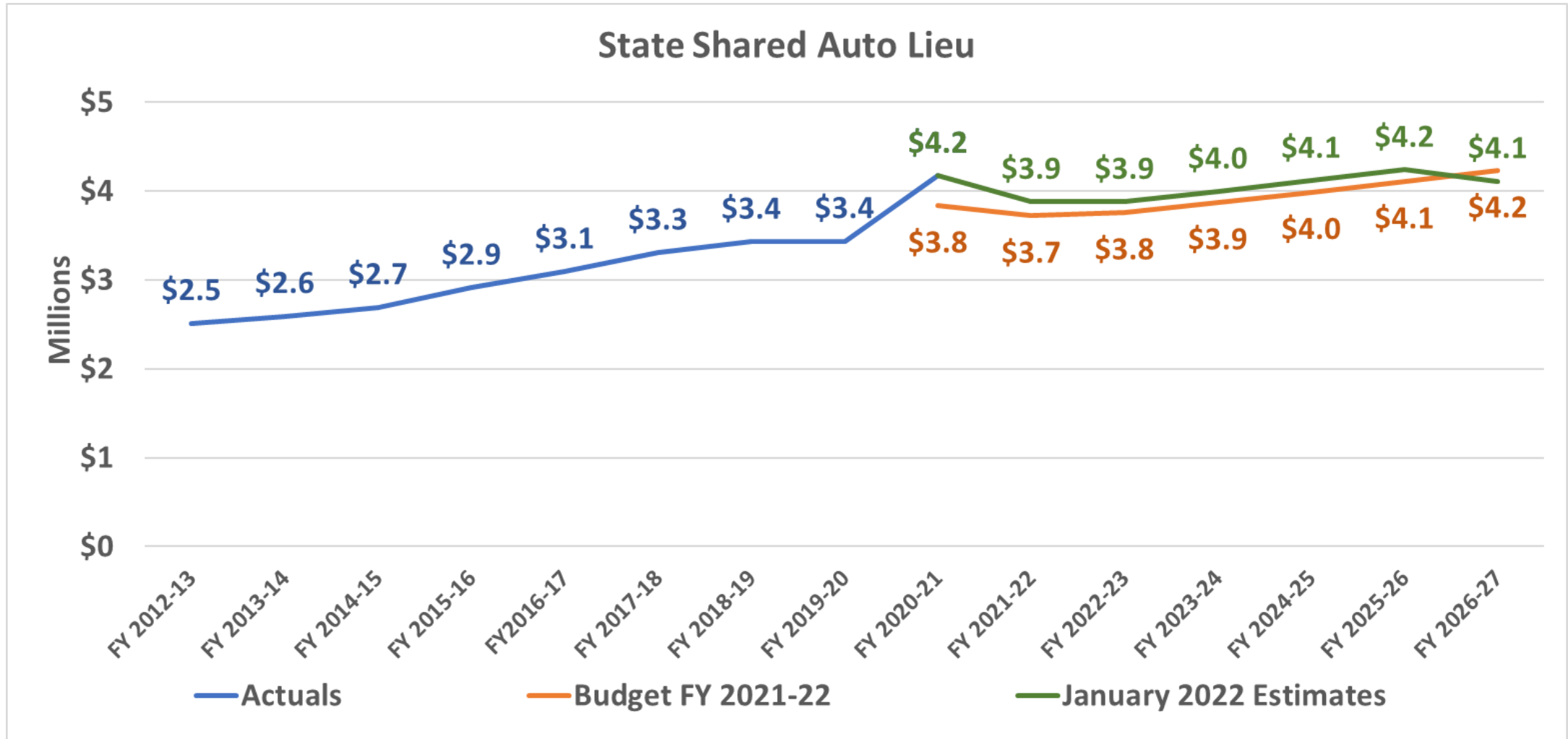


General Fund

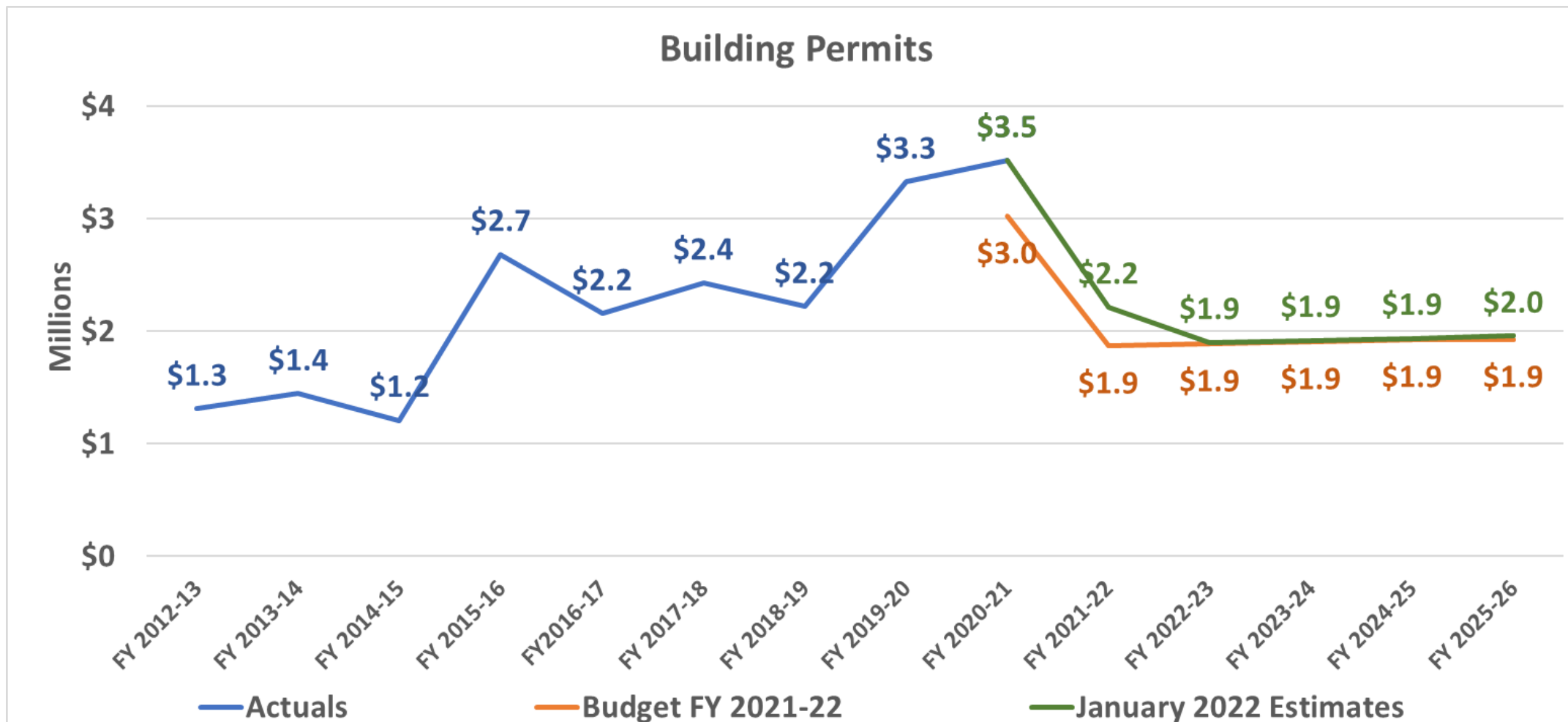
State Shared Urban Revenue (Income Tax)



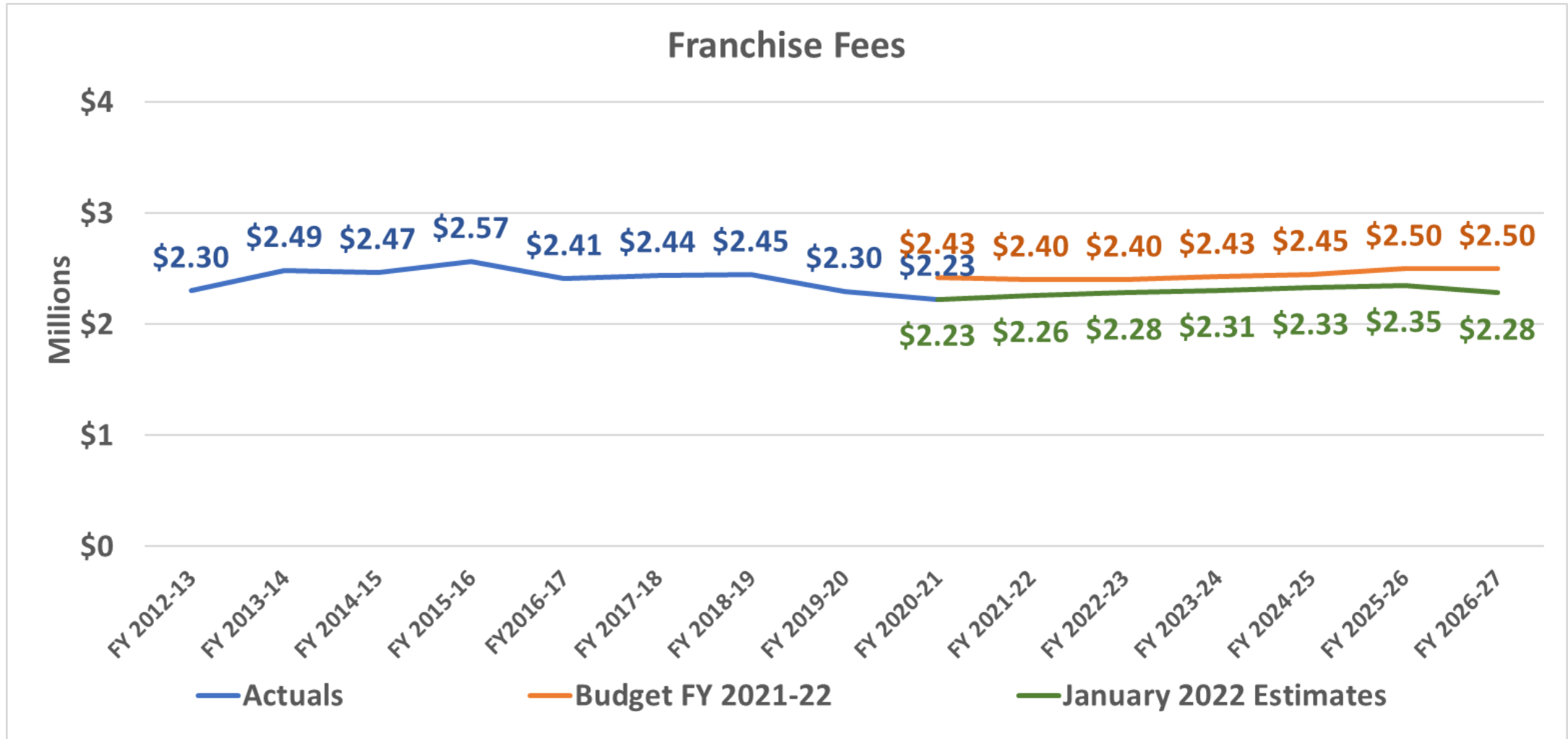
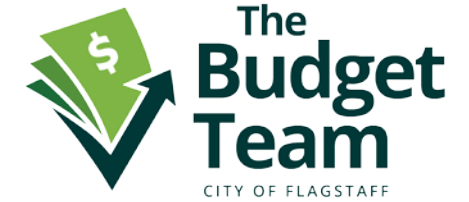
General Fund



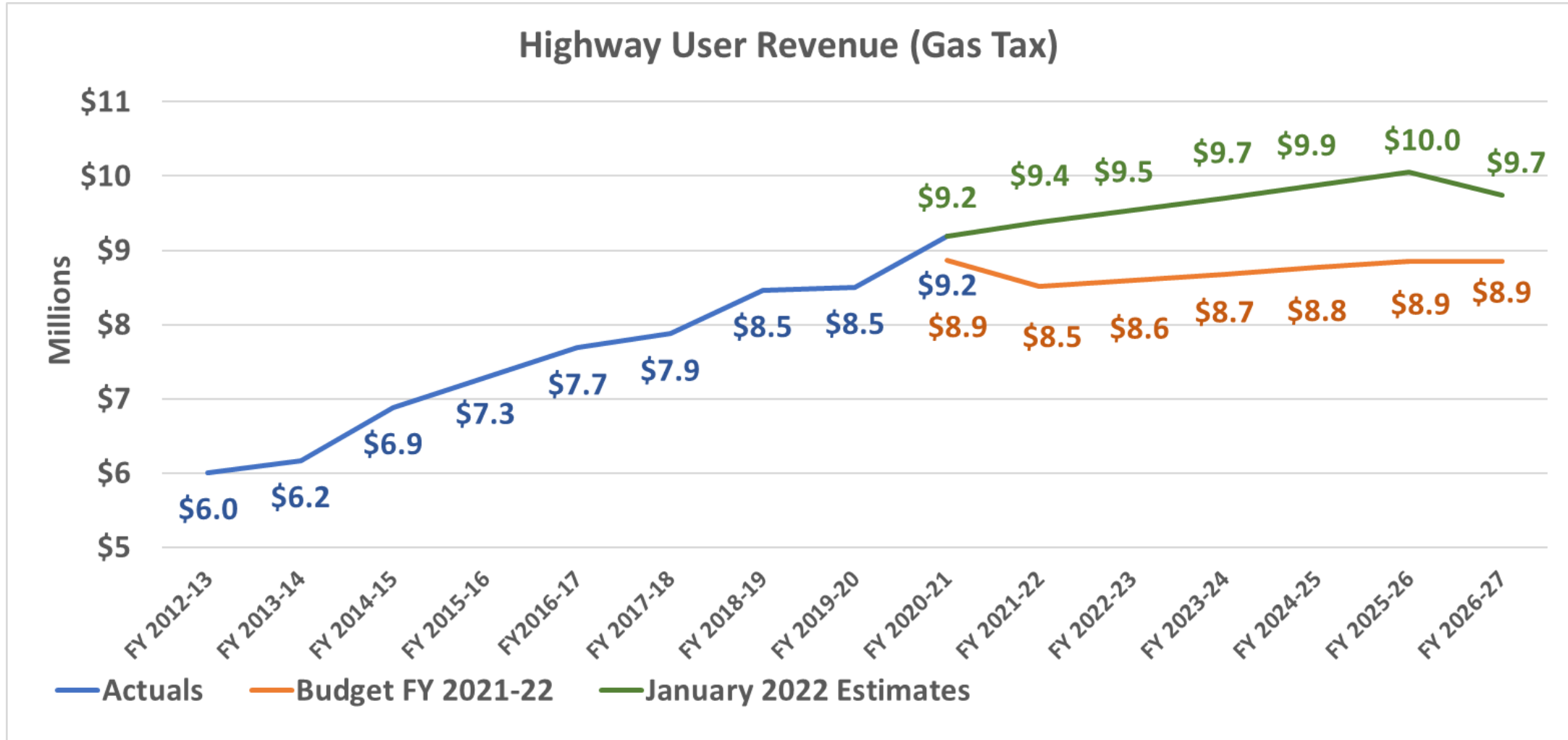
General Fund



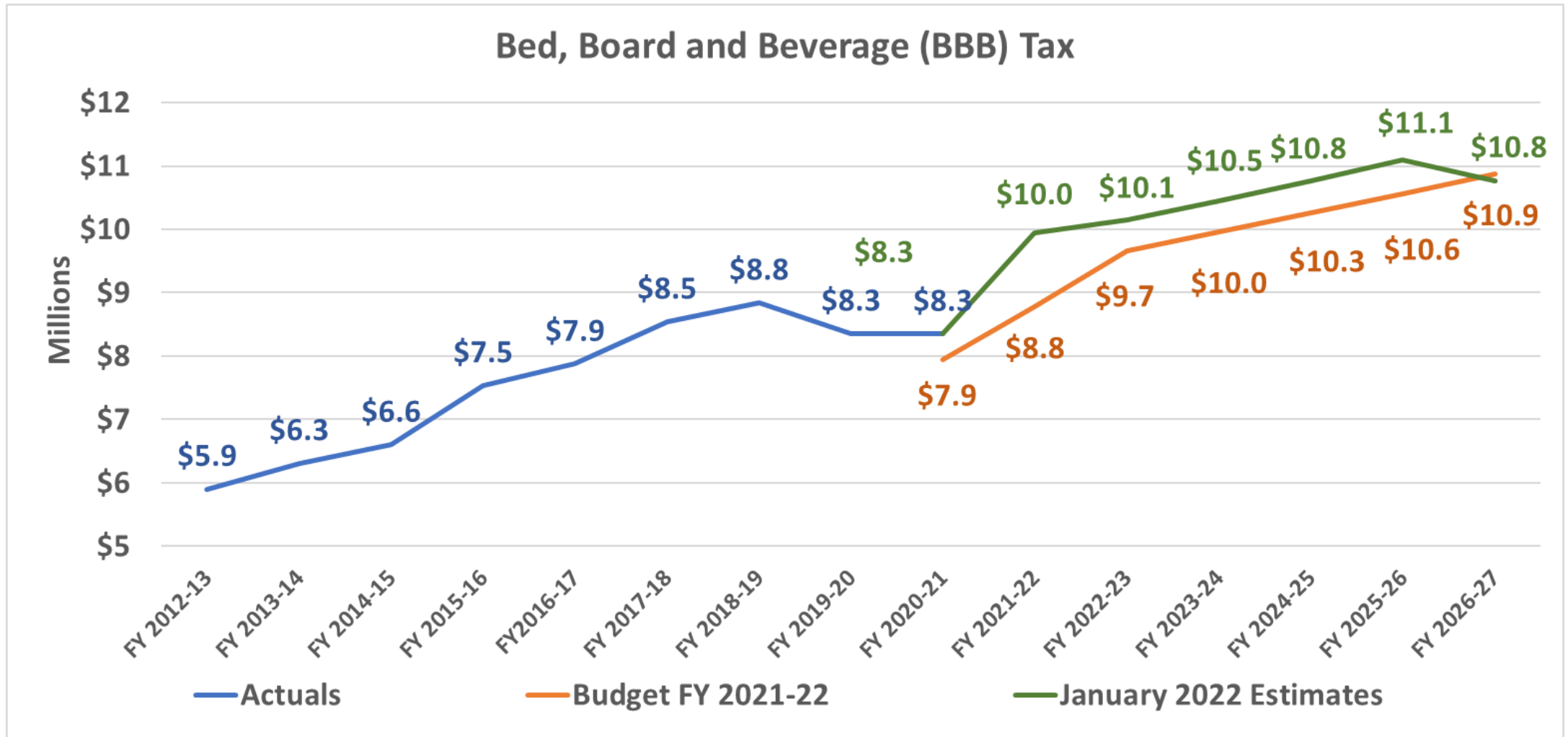
General Fund



Highway User Revenue Fund



Bed, Board and Beverage Funds



Other Revenues

- Transportation Taxes
- Marijuana Excise Tax





Available Resources and Fixed Costs

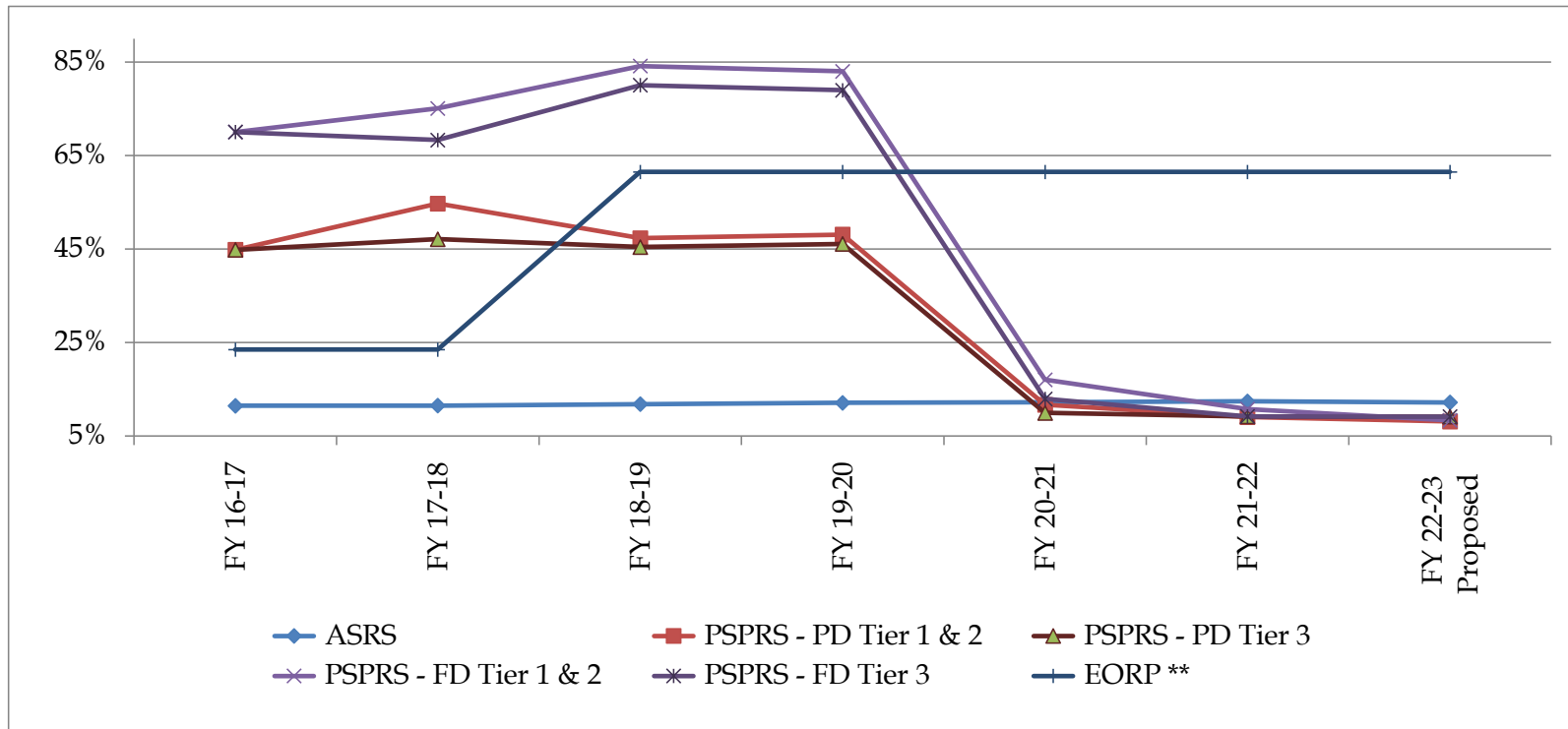
Available Resources – General Fund



| General Fund | One-Time | Ongoing |
|--|---------------|--------------|
| FY 2020-21 Revenue growth | \$ 5,000,000 | \$ -0- |
| FY 2020-21 Expenditure savings | 3,500,000 | -0- |
| FY 2021-22 Revenue estimate | 2,000,000 | -0- |
| FY 2022-23 Revenue projection growth | -0- | 3,000,000 |
| Total Capacity | \$ 10,500,000 | \$ 3,000,000 |
| Option: Primary Property Tax (6% Increase) | -0- | 420,000 |
| | \$ 10,500,000 | \$ 3,420,000 |

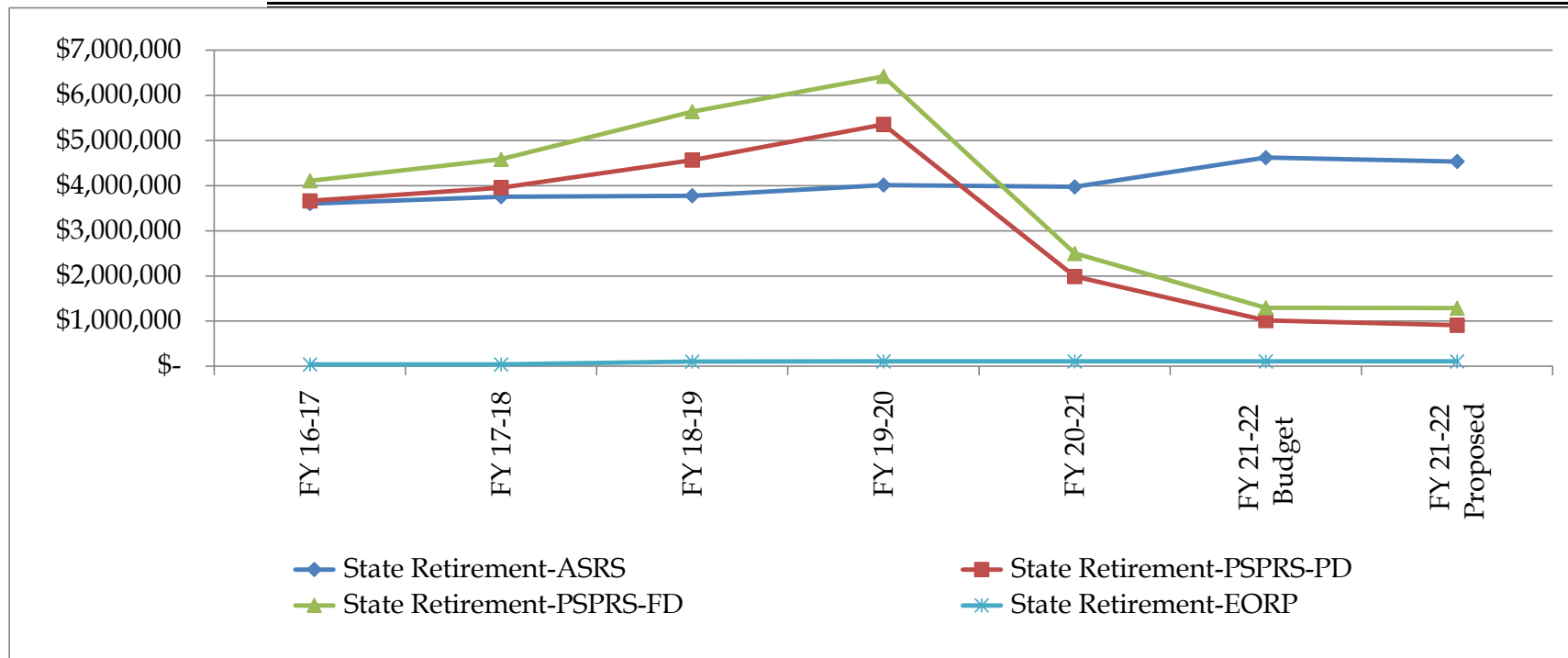
Pension Contribution Rates

| | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 Proposed |
|-----------------------|----------|----------|----------|----------|----------|----------|----------------------|
| ASRS | 11.48% | 11.50% | 11.80% | 12.11% | 12.22% | 12.41% | 12.17% |
| PSPRS - PD Tier 1 & 2 | 44.83% | 54.73% | 47.34% | 48.09% | 11.67% | 9.04% | 8.10% |
| PSPRS - PD Tier 3 | 44.83% | 47.11% | 45.43% | 46.10% | 9.94% | 9.18% | 9.12% |
| PSPRS - FD Tier 1 & 2 | 70.05% | 75.11% | 84.17% | 83.03% | 17.03% | 10.77% | 8.35% |
| PSPRS - FD Tier 3 | 70.05% | 68.34% | 80.08% | 78.99% | 12.94% | 9.18% | 9.12% |
| EORP ** | 23.50% | 23.50% | 61.50% | 61.50% | 61.50% | 61.50% | 61.50% |



Pension Expenditures

| | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 Budget | FY 22-23 Proposed |
|---------------------------|------------|------------|------------|------------|-----------|--------------------|----------------------|
| State Retirement-ASRS | 3,603,589 | 3,754,600 | 3,776,918 | 4,013,187 | 3,973,921 | 4,622,757 | 4,533,356 |
| State Retirement-PSPRS-PD | 3,662,344 | 3,954,905 | 4,565,973 | 5,356,624 | 1,987,409 | 1,013,379 | 908,006 |
| State Retirement-PSPRS-FD | 4,107,600 | 4,584,857 | 5,641,220 | 6,421,351 | 2,498,080 | 1,295,764 | 1,004,608 |
| State Retirement-EORP | 40,588 | 39,679 | 102,903 | 106,743 | 107,039 | 108,890 | 108,890 |
| | 11,414,121 | 12,334,041 | 14,087,014 | 15,897,905 | 8,566,449 | 7,040,790 | 6,554,860 |



Fixed Costs – General Fund



| General Fund | | Ongoing | |
|---|---------|---------|-----------|
| Merit Increase (3%) | FUNDED! | \$ | 1,600,000 |
| Minimum Wage (\$15.50 - CPI?) | | | 49K-289K |
| Pension Cost - New | | | (355,000) |
| Health & Dental Insurance Increase - City Share | | | 359,500 |
| Liability and Property Insurance | | | TBD |
| Workers' Compensation | | | TBD |
| | | | |

Other Considerations



| FY 2022-2023 Budget Considerations | Ongoing |
|---|--------------------|
| Move annual one-time to ongoing (25% minimum) | \$700,000 - \$2.8M |
| State assessment for minimum wage | 1,110,000 + |
| State assessment firefighter cancer fund | 200,000 |
| State legislative changes | ? |
| New personnel 18 FTEs/6 add pays – General Fund | 2,004,500 |
| New personnel 12.96 FTEs – all other | 972,500 |
| Reclass requests – all | 265,600 |

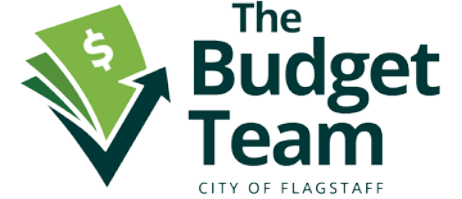


The
Budget Team
CITY OF FLAGSTAFF



Investing in Employees Update

Human Resources Employee Advisory Committee



Benefits and Compensation February 2022 Budget Retreat

Greg Clifton, City Manager

Heidi Hansen, Economic Vitality Director

Brandi Suda, Interim Human Resource/Risk Management Director

Jared Wotasik, EAC Co-Chair and Budget Team Delegate

Jeanie Gallagher, Consulting Human Resources Director

Recruitment/Retention



Placeholder

Updated slides will be provided at the retreat

Recruitment/Retention



City of Flagstaff Recruitment Campaign

**WE LOVE FLAGSTAFF,
YOU LOVE FLAGSTAFF**



| | |
|--|---|
| <input checked="" type="checkbox"/> State Retirement | <input checked="" type="checkbox"/> Four Seasons |
| <input checked="" type="checkbox"/> Healthcare Benefits | <input checked="" type="checkbox"/> Outdoor Adventure (do you?) |
| <input checked="" type="checkbox"/> 11 Paid Holidays (and that's not a typo) | <input checked="" type="checkbox"/> Diverse Population |
| <input checked="" type="checkbox"/> Vacation Package | <input checked="" type="checkbox"/> Great Schools |
| <input checked="" type="checkbox"/> First-Time Homebuyer Assistance | <input checked="" type="checkbox"/> Friendly Neighbors |
| <input checked="" type="checkbox"/> Paid Parental Leave | <input checked="" type="checkbox"/> Enhanced Quality of Life |

Join Team Flagstaff - we check all the boxes.

Apply now at FlagstaffCityCareers.com

Video 

**COOL CAREERS.
COOL PEOPLE. COOL MOUNTAINS.**



| | |
|--|---|
| <input checked="" type="checkbox"/> State Retirement | <input checked="" type="checkbox"/> Four Seasons |
| <input checked="" type="checkbox"/> Healthcare Benefits | <input checked="" type="checkbox"/> Outdoor Adventure (do you?) |
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We check all the boxes.

Apply at FlagstaffCityCareers.com

Video 

**BE A PART OF MAKING
FLAGSTAFF THRIVE**



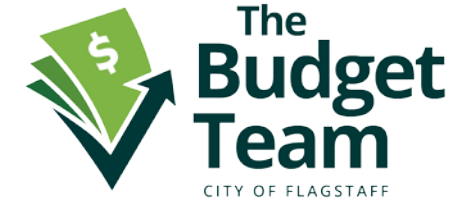
| | |
|--|---|
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Join Team Flagstaff - we check all the boxes.

Apply now at FlagstaffCityCareers.com

Video 

Recruitment/Retention



Police Department Video

Recruitment/Retention



- Next steps
 - Committee creating a marketing plan
 - Organizing photography and video services
 - Gathering City staff for models

Benefits - Pension

- Elected Officials Retirement Plan – no update available yet
- ASRS decrease - \$50,000 decrease to General Fund
 - FY 2021-2022 (Effective 7.1.21)
 - Pension & Health Ins 12.22%
 - Long Term Disability 0.19%
 - Total 12.41%
 - FY 2022-2023 (Effective 7.1.22)
 - Pension & Health Ins 12.03%
 - Long Term Disability 0.14%
 - Total 12.17%
- PSPRS
 - City's Tier 1 & 2 rate decreases
 - Tier 2 employee rate will decrease from 11.65% to 7.65%
- PSPRS
 - Police decrease - \$109,000
 - Fire decrease - \$196,000

Benefits



- Vision - no increase
- Dental
 - 5.00% increase
 - \$19,500 increase to General Fund if fully paid by the City
- Medical insurance
 - 5.00% increase
 - \$340,000 increase to General Fund if fully paid by the City
- Total pension and health insurance net increase to General Fund
 - \$4,500

Compensation



- Employee Increase Terminology
 - Compression Adjustment
 - Individual employee salaries are adjusted upward to properly position them in their pay range (compa ratio)
 - Cost of Living Adjustment (COLA)
 - All eligible employees receive at the same time
 - All eligible employees usually receive the same percentage (pay ranges are NOT adjusted)
 - Market Adjustment
 - Ranges (and employees) adjusted upward to maintain competitive position with benchmarks
 - Amounts may vary by position
 - Merit – or Performance Based
 - Eligibility and amount received normally based on performance

Compensation History

FY 2008-2009 to FY 2021-2022



| Fiscal Year | Merit | Market | COLA | Other |
|-------------|------------|--------|------|---|
| 2008 - 2009 | Avg 3.2% | 2% | | 1.2% pay decrease on 5/1/2009 |
| 2009 - 2010 | | | | |
| 2011 - 2012 | | | | 1.2% pay decrease restored |
| 2012 - 2013 | | | | |
| 2013 - 2014 | | 3.20% | | |
| 2014 - 2015 | 0.4 - 2% | | | \$100 - \$450 longevity bonus |
| 2015 - 2016 | | 2% | | |
| 2016 - 2017 | | Min 2% | | Plus Phase I Market Based Pay Plan |
| 2017 - 2018 | | Min 2% | | Plus Phase II Market Based Pay Plan |
| 2018 - 2019 | | Min 2% | | Plus Phase III Market Based Pay Plan |
| 2019 - 2020 | 1-3% | | | Merit based on years of service |
| 2020 - 2021 | | | 2% | Effective 2/21 - ranges not adjusted |
| 2021 - 2022 | 3% or Step | | | New Pay Plan Structure with completely updated market-based pay ranges, compression adjustments |

Budget Team Compensation by Priority



1. Minimum Wage Ordinance (Mandatory) Recap
2. Merit Increase Recap (approved and budgeted)

Additional recommendations to maintain compensation plan health:

3. Market Adjustments
4. Compression Adjustment
5. Cost of Living Adjustment (COLA)

1. Minimum Wage Ordinance (Mandatory) Recap



- Beginning in 2023 the minimum wage must increase by the Consumer Price Index (CPI) AND be at least \$2.00 higher than the State of Arizona minimum wage
- Two (2) cost assumptions – a moderate CPI increase of 3% and a more likely closer estimate of 5% (could be higher)
- A CPI adjustment greater than 3% will require modifications to our current Regular Pay Plan structure
- Cost assumptions include maintaining employee compa-ratios
- Cost Impact:
 - 3% = \$ 49,100
 - 5% = \$288,700

2. Merit Increase Recap

- Aligned with a profound commitment that employee compensation will remain a priority
- Approved and budgeted (5-year plans) as an outcome of the Compensation Study beginning FY 2021-2022
 - Regular Pay Plan – 3%
 - Step increase for Fire, Police (Public Safety) and Water Services Operators*
- Total estimated cost of increase: \$2,057,000

*Step plan for Water Services Operators designed and implemented October 11, 2021

3. Market Adjustments Recap



- A sampling of 25% of positions should be surveyed each year and adjusted if indicated
- Employee compa-ratio should be maintained in adjusted ranges
- Budget .25% of the annual salary expense as a starting point
- Unused funds would carry over with the intent of developing adequate funding year over year
- Estimated budget for Market Adjustments: \$143,000

4. Compression Recap



- Adjustments implemented in July 2021 did not correct over ten years of increasing compression
- Recruitment/retention challenges furthering compression
- Recommendation to apply one more compression adjustment for employees in the Regular Pay Plan effective 7/10/22
- Analysis based on combination of tenure and compa-ratio
- Expense estimate: \$205,800

5. Cost-of-Living Adjustment (COLA)



- All employees are adjusted upward by a budgeted %
- Pay ranges are NOT adjusted
- Estimated expense per 1% adjustment: \$ 575,000
3% adjustment: \$1,725,000
5% adjustment: \$2,875,000
- While not routinely needed, events such as exceptional increase in inflation may trigger a need to do this to maintain competitive employee compensation
- NOTE: If adopted will likely minimize the need for compression adjustments and would recommend deferring until following fiscal year to analyze need at that time



Employee Advisory Committee

Jared Wotasik, EAC Co-Chair and Budget Team Delegate

EAC Recommendations and Priorities



Priority 1:

- 9-9 split vote between a Cost-of-Living Adjustment (COLA) and the City picking up the total insurance benefits increase

Recommendation for City to provide:

- 5% Cost of Living Adjustment (COLA) effective July 1st,
AND
- 5% increases to health and dental insurance plans
- Priority 2:
 - Compression adjustment (details to be determined)

EAC Recommendations and Priorities



- City to cover 5% increase to health insurance premiums
 - Current COF Premium Sharing (Employer/Employee)
 - Employee only premium split: 90%/10% - employee premium \$65.60
 - Family premium split: 62%/38% - employee premium \$622.08
 - Coconino County Current Premium Sharing (same health plan)
 - Employee only premium split: 97%/3% - employee premium \$20.00
 - \$45.60 less than COF
 - Family premium split: 72%/28% - employee premium \$480.40
 - \$141.68 less than COF
 - Premium increase impact to employee if City does not cover the increase
 - Employee only: \$33.16 increase
 - Family: \$82.26 increase

*All amounts are monthly

EAC Recommendations and Priorities



- Continue to make employee compensation a priority!
- Do not lose traction with improvements made this year with the new Compensation Plan
- Ensure we offer a competitive total compensation package to support recruitment and retention
- Employee appreciation
 - Recent approval of one (1) additional week of Public Health Emergency Leave (PHEL)
 - Merit: already approved and budgeted with continuation unanimously supported by EAC

In Summary



- In FY 2021-2022 Council and Leadership committed to ongoing merit increases and EAC agrees - these are already in the budget
- Increasing our employee contribution to health insurance would make us less competitive - even with Coconino County
- EAC's recommendation for a COLA is framed in the spirit of the fact that the cost of living is going up for everyone - so everyone should receive an additional increase
- How is the EAC recommendation different from Budget Team's recommendation?
 - EAC recommends a COLA which gives a raise to everyone but does not adjust pay ranges
 - Budget Team recommends compression and market adjustments which target areas of greatest need and ensures our pay ranges are competitive - every employee would not receive an increase



The
Budget Team
CITY OF FLAGSTAFF



Thank You

Questions?



The
Budget Team
CITY OF FLAGSTAFF



Bond Committee Update

Bond Committee Update



- Process update
 - Presentations to committee members on bond projects
 - Timeline
- Communication efforts



The
Budget Team
CITY OF FLAGSTAFF



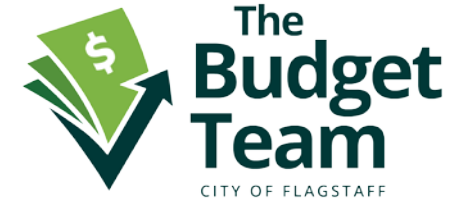
Federal Funding Update

Coronavirus State and Local Fiscal Recovery Funds (CLFRF)



- This fund remains an urgent lifeline for local governments and the community
- Final rule was released the first of January with broader flexibility and greater simplicity in the program
- New content is aimed at providing greater clarity and direction
- Its intent was to help minimize administrative burden, and in recognition of the fact that thousands of local governments continue to operate at some level of reduced capacity
- Final rule offers a “standard allowance” for revenue loss replacement of \$10M to spend on government services

Coronavirus State and Local Fiscal Recovery Funds (CLFRF)



- Spending on government services generally include any service traditionally provided by a government
- Government services is the most flexible eligible use category and funds are subject to streamlined reporting and compliance requirements
- By utilizing the standard allowance this adds effectiveness and efficiency in delivering Council directed programs
- Alleviates the administrative burden, procurement restrictions, compliance/audit risks and extensive reporting
- City Council's commitment to the project allocations will be preserved through accounting, reporting and tracking

| | | | FEDERAL | NON-FEDERAL |
|--|-------------------|---|--------------|-----------------------------|
| EXPENDITURE CATEGORY | COUNCIL DIRECTION | PROJECT | ARPA FUNDS | UP TO \$10M REVENUE REPLACE |
| 1: PUBLIC HEALTH | | | | |
| 1.4 | \$ 400,000 | Congregate care services, such as shelters | \$ 400,000 | |
| 1.10 | \$ 2,400,000 | Alternate care facility/services | | \$ 2,400,000 |
| 1.12 | \$ 75,000 | Community ambassadors to assist with mental health/substance use | \$ 75,000 | |
| 2: NEGATIVE ECONOMIC IMPACTS | | | | |
| 2.2 | \$ 1,900,000 | Housing assistance programs | \$ 1,900,000 | |
| 2.7 | \$ 60,000 | Job training assistance | \$ 60,000 | |
| 2.9 | \$ 300,000 | Small business grants | | \$ 300,000 |
| 2.10 | \$ 150,000 | Aid to non-profits - Arts and Sciences | | \$ 150,000 |
| 2.10 | \$ 300,000 | Aid to non-profits - Food | | \$ 300,000 |
| 2.10 | \$ 150,000 | Aid to non-profits - Other | | \$ 150,000 |
| 2.10 | \$ 300,000 | Aid to non-profits - Victim Services | \$ 300,000 | |
| 2.11 | \$ 150,000 | Aid to tourism, travel, & hospitality | | \$ 150,000 |
| 2.12 | \$ 85,000 | Local event support, permits & fees | \$ 85,000 | |
| 2.14 | \$ 100,000 | Support for filling vacancies, promotion of Team Flagstaff | \$ 100,000 | |
| 3: SERVICES TO DISPROPORTIONATELY IMPACTED COMMUNITIES | | | | |
| 3.1 | \$ 250,000 | Education Assistance - Early learning | \$ 250,000 | |
| 3.3 | \$ 350,000 | Education Assistance - Facility construction for education programs | | \$ 350,000 |
| 4: PREMIUM PAY | | | | |
| 4.1 | \$ 700,000 | Premium Pay for public safety employees | | \$ 700,000 |
| 5: INFRASTRUCTURE | | | | |
| 5.15 | \$ 1,500,000 | Drinking Water Infrastructure - Cybersecurity | | \$ 1,500,000 |
| 6: REVENUE REPLACEMENT | | | | |
| 6.1 | \$ 3,832,816 | Revenue Loss Replacement | | \$ 3,832,816 |
| 7: ADMINISTRATION | | | | |
| 7.1 | \$ 250,000 | Administration of ARPA Local Recovery | \$ 82,816 | \$ 167,184 |
| | \$ 13,252,816 | | \$ 3,252,816 | \$ 10,000,000 |

Infrastructure Investment and Jobs Act (IIJA) Enacted as the Bipartisan Infrastructure Law (BIL)



- Signed into law by President Biden on November 15, 2021
- Focus points include
 - Generational transportation investments
 - Combatting the climate crisis
 - Advancing equitable access to transportation
- Federal Highway Administration (FHWA) released [policy memorandum](#)/ additional guidance on December 16, 2021
 - Additional guidance on how the BIL will be interpreted
 - Priorities include "future-proofing" infrastructure, reconnecting communities, and including under-represented groups in project selection and design

Bipartisan Infrastructure Law (BIL) Impacts for Arizona



- Repair and rebuild roads and bridges
 - \$5.3B in formula funding alone – a 28.4% increase from current State Federal-aid highway formula funding
 - \$117M in formula funding to reduce transportation-related emissions
 - \$133M to increase transportation system resiliency
- Make our transportation system safer
 - \$36M in formula funding to improve driver behavior and reduce deaths from accidents – a 29% increase from current funding levels
 - New \$6B Safe Streets for All Program ("vision zero" plans and other improvements)

Bipartisan Infrastructure Law (BIL)

Impacts for Arizona



- Build an electric vehicle charging network
 - \$76M to build out the charging network
 - Additional \$2.5B in grants
- Passenger rail and freight
 - Eliminate Amtrak maintenance backlog, expand service outside the northeast and mid-Atlantic
 - Arizona eligible to compete for \$10B in rail improvement grants and \$5.5B in grade crossing safety improvements
- Improve our airports
 - Arizona airports to receive \$348M for airside and landside needs
 - Additional funding to expand accessibility, improve access, and improve energy efficiency

Bipartisan Infrastructure Law (BIL)

New and Expanded Competitive Grants



| Transportation Grant Programs | IIJA Impact | When will FY22 applications open? |
|--|-------------------|------------------------------------|
| Rebuilding American Infrastructure Sustainably and Equitably (RAISE) | Expanded - \$7.5B | Q1 of 2022 |
| Bus & Bus Facilities Competitive Grants | Expanded - \$2B | Q1 of 2022 |
| National Infrastructure Project Assistance (MEGA) | New - \$5B | Selection criteria posted Feb 2022 |
| Infrastructure for Rebuilding America (INFRA) | Expanded - \$14B | Q1 of 2022 |
| Safe Streets and Roads for All | New - \$5B | May 2022 |
| Charging and Fueling Infrastructure Grants | New - \$2.5B | Comments accepted this spring |
| Reconnecting Communities | New - \$1B | Q2 of 2022 |
| Rural Surface Transportation Grant | New - \$2B | Q1 of 2022 |

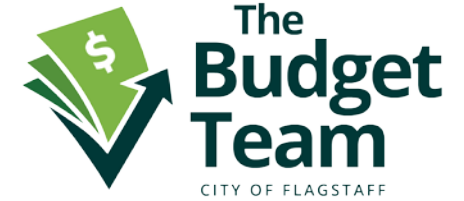
Bipartisan Infrastructure Law (BIL) New and Expanded Competitive Grants



| Climate, Energy & Environment Grant Programs | IIJA Impact | When will FY22 applications open? |
|---|-------------------|-----------------------------------|
| Building Resilient Infrastructure & Communities Program | Expanded - \$1B | Sept. 30, 2022 |
| Flood Mitigation Assistance | Existing - \$3.5B | Sept. 30, 2022 |
| Water & Groundwater Storage and Conveyance | Expanded - \$1B | Spring 2022 |
| Brownfields Remediation Program | Expanded - \$1.2B | Announcements this spring |
| Grants for Energy Efficiency and Resilience Code Adoption | Existing - \$225M | End of 2022 |
| Regional Clean Hydrogen Hubs | New - \$8B | Summer 2022 |
| Community Wildfire Defense Grant Program | New - \$1B | Early 2023 |

Bipartisan Infrastructure Law (BIL)

New and Expanded Competitive Grants



| Broadband, Cyber and Other Grant Programs | IIJA Impact | When will FY22 applications open? |
|--|------------------|-----------------------------------|
| ReConnect Program | Expanded - \$2B | Q3 of 2022 |
| Middle Mile Grants | New - \$1B | Q2 of 2022 |
| State and Local Cybersecurity Grant Program | New - \$1B | Q3 of 2022 |
| Smart Grid Investment Grant Program | Expanded - \$3B | End of 2022 |
| Energy Sector Operational Support For Cyber Resilience Program | Expanded - \$50M | Summer of 2022 |

Environmental Infrastructure Program

| Summary of Work to Be Accomplished with Allocation | FY22 |
|---|-------------|
| Initiate and complete West Causeway Extension. | 250,000,000 |
| Physically complete and fiscally close out project. | 88,540,000 |
| Complete project and fiscally close out project | 28,050,000 |
| Initiate, physically complete and fiscally close out project. | 185,225,000 |
| Physically complete and fiscally close out project. | 109,147,000 |
| Initiate, physically complete and fiscally close out project. | 65,750,000 |
| Install Avra WRF Backup Generators | 2,250,000 |
| Install reclaimed water pipeline and rehabilitate existing infiltration gallery at the Queen Creek Restoration Project, Superior, AZ | 2,250,000 |
| Continue construction of Flagstaff Downtown Flood Lateral Tunnel, AZ | 1,200,000 |
| Construction of a water distribution line delivering non-potable water in lieu of potable water to the reservation from the City of Tucson for irrigation at the Tribe's Wellness Center, Pueblo Park and associated ballfields on the Pascua Yaqui Reservation (Wellness Center Unit). | 578,000 |
| Continue Quartzsite Water System Improvements | 772,500 |
| Wastewater Treatment Plant improvements in the town of Buckeye, AZ | 2,250,000 |
| Install new combination and rate of flow and backwash pressure reducing valve and install new pressure transmitters in the Town of Kearny, AZ | 1,155,000 |
| Construction of Interconnection of Waterline in Maricopa, AZ | 3,500,000 |
| Construct the WF Killip Elementary School Regional Flood Detention Basin, AZ | 1,500,000 |
| Connect the Camp Verde School District and an area assisted living facility to the Yavapai-Apache Wastewater Treatment Plant for more reliable service. | 3,000,000 |
| Cambria Design & Environmental Documents | 200,000 |
| Work on FONSI, Environmental Documents and Initiate PPA | 250,000 |
| Fully fund first construction contract for Taylor Yard. | 28,000,000 |
| Complete initial sand placement on Encinitas and Solana beaches. | 30,542,000 |

Infrastructure Investment and Jobs Act (IIJA)

Next steps

[Home](#)[Overview](#)[Funding](#)[Assistance / Local Support](#)[Fact Sheets](#)[Guidance](#)

Overview

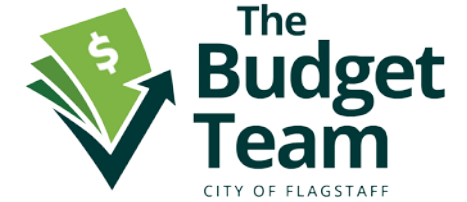
The [Infrastructure Investment and Jobs Act \(IIJA\)](#) (Public Law 117-58, also known as the “[Bipartisan Infrastructure Law](#)”) is a once-in-a-generation investment in our infrastructure that will help grow the economy, enhance U.S. competitiveness, create good jobs, and build our safe, resilient, and equitable transportation future.

Overview of Highway Provisions under the Bipartisan Infrastructure Law

- Key Highway Provisions, November 2021
 - [PowerPoint](#) (522 KB)
 - [PDF](#) (506 KB)

The FHWA will add new information to this page over the weeks and months to come.

Flagstaff Airport CARES Act Grants



- The CARES Act Airport grants are for eligible US airports to prevent, prepare for, and respond to coronavirus impacts, including support for continuing airport operations
- FAA 45 - \$18.1M for operational and maintenance expenses or debt service
- FAA 46 - \$1.4M for operational and maintenance expenses or debt service
- FAA 47 - \$25,672 for concessions relief
- FAA 48 - \$1.9M for operational and maintenance expenses or debt service
- FAA 50 - \$102,687 for concession relief

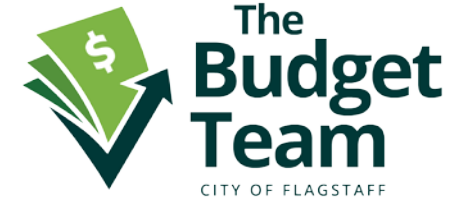
Flagstaff Airport Grants



New grants since the December Budget Retreat:

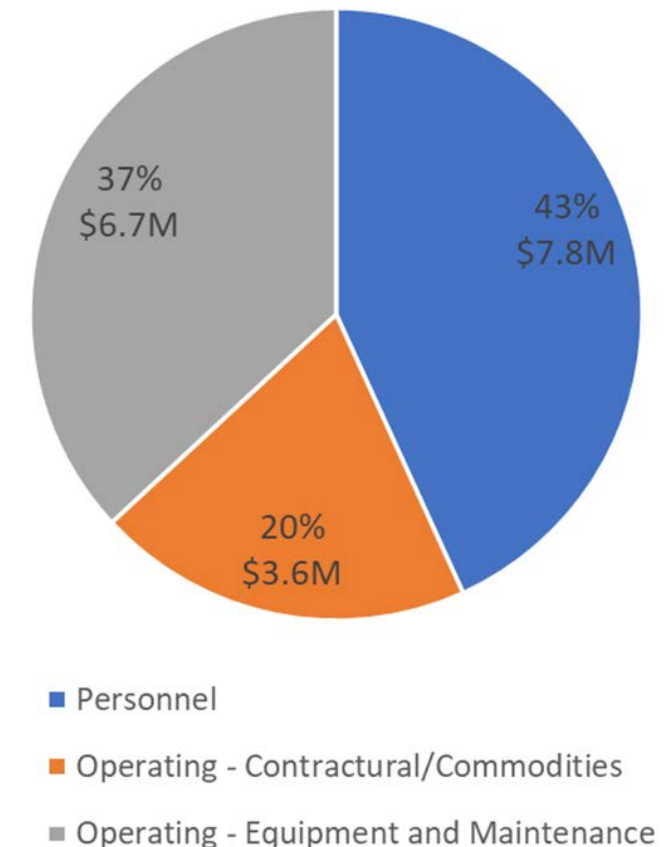
- Bipartisan Infrastructure Law grant: \$1,493,448
- Arizona Department of Transportation (ADOT) State/Local Grant: \$2M for land protection
- ADOT State/Local Grant: \$1.4M for airfield pavement preservation

Flagstaff Airport CARES Act Grants

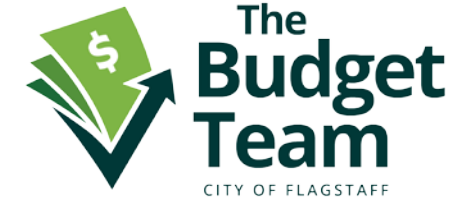


- FAA 45: Original \$18.1M CARES Grant
- \$4.52M spent as of December 31, 2021
 - Airport personnel, operating costs, and nine months of rent abatement for airport tenants
- Ongoing projects
 - ~\$350k for aircraft hangar and shade maintenance
 - ~\$160k for airfield maintenance
- Upcoming projects
 - Terminal hold room expansion, airline counter expansion, and facilities maintenance
 - Terminal parking lot maintenance
 - Additional airfield and hangar maintenance

CARES Act Budget - \$18,134,294



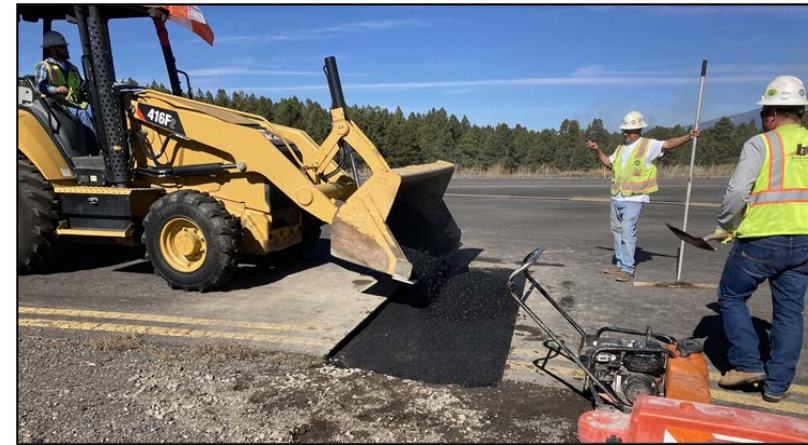
Flagstaff Airport CARES Act Grants



Westplex Hangar and Shade Repairs – Phase I



Airfield Maintenance



Future Federal Funding Updates



- Regular legislative email updates from Bob Holmes on BIL, ARPA and other relevant funding legislation
- City project implementation updates
- Legislative and project implementation updates to be included in City Manager reports on an as needed basis



Resource Allocations and Priorities

Stormwater

Needed Capacity:

- 10-year capital plan includes \$60.2 million in projects
- Effective ongoing maintenance and asset management
 - \$675,000 in ongoing operations
 - \$500,000 in equipment investment

Risk:

Infrastructure/property damage
Erosion of natural areas
Continued flood response

- \$1.8 million/year

Quality of life for residents

Efforts Underway:

- Dedicated maintenance program
- Bond discussions
 - \$22 million identified need
- Grants
 - \$4.2 million in applications for FY 2023
 - \$12.3 million earmarked for FY 2024 projects
 - *Grants are highly competitive and not guaranteed; require local match*
- Utility rate discussions

Stormwater



FY 2022-2023 Capital Project and Ongoing Maintenance Needs

- Ongoing flood mitigation budget
- Ongoing operations - capital maintenance budget
- Ongoing operations maintenance
 - Open channel maintenance (wash, waterways, open channel conveyance)
 - Closed channel maintenance (culverts, box culverts, underground utility)
 - Problem area identification and spot improvements
- Equipment investment - backhoe, combination truck, mini-dozer
- Spruce Wash flood mitigation projects
 - \$29 million, with design estimates still coming in
- Other capital projects
 - \$28 million, including Rio de Flag Flood Control Project

Wastewater

Resiliency, Redundancy, Compliance

Necessary upgrades and replacements

over next 6 years

- \$28 million in capital budget
- versus
- \$69 million in capital needs
 - \$32 million identified bond projects
- Does not address future capacity needs

Risk: Plant and Utility Failure

- | | |
|----------------------------------|-------------------------------|
| • Facilities flooded and damaged | • Regulatory non-compliance |
| • Environmental contamination | • Reclaimed water supply loss |
| • Loss of community trust | |

Efforts Underway:

Bond discussions – project funding

- Citizen Bond Committee discussions

Rate studies

- Rates meet demand needs

Master planning

- Master Plan captures current and anticipated needs

Strategic Plan

- Following 2020 5-year Strategic Plan

Wastewater

Unfunded FY 2022-2023 Projects \$8.2 million

- Rio Plant bar screens - balance (\$500,000)
 - Rio Plant clarifiers (\$250,000)
 - Rio Plant grit removal (\$750,000)
 - Wildcat Plant headworks rehab (\$1.5M)
 - Wildcat Plant co-gen (\$2.5M)
 - Sewer line replacements (\$1.8M)
 - Other projects (\$900,000)
-
- **\$4 million in project funding for FY 2022-2023*

Public Safety

Joint Safety Communication Equipment



Public Safety Emergency Radio Equipment

- Replacement and upgrades to the repeater towers on Mount Elden to keep frequencies in dispatch and on the ground operational
- Replacement of all handheld and mobile radio units in Police, Fire and Public Works
- Units currently operational but are 10-years old with a 7-year recommended life span and are no longer supported for minor or major repairs

Priority #1

Estimated Cost - \$2.75M + \$415K (15% inflation)

Total Cost = \$3,165,000

Public Safety

Fire Apparatus Replacement



All Risk Operations

- All units are over recommended life (20+ years) as front-line units - City moved to 25-year replacement plan in 2008 due to recession and have remained
- Building configurations and demand on units continues to increase
- 1 - Quint - \$1.75M (23 years old)
- 1 - All risk pumper - \$1.5M (21 years old – electric vehicle option built into cost)

Quint Priority #2, Engine Priority #3

Estimated Cost - \$3.25M + \$490K (15% inflation)

Total Cost - \$3,740,000

Public Safety

Fire Apparatus Replacement

Wildfire



- These units are over recommended life (20+ years) as front-line units
- Wildfire risks continue to elevate in and around our community
- 2 - Wildfire engines - \$1M (21 years old)
- 2 - Water tenders - \$900k (22 years old)

Engines Priority #4, Tenders Priority #6

Estimated Cost - \$1.9M + \$285K (15% inflation)

Total Cost - \$2,185,000

Public Safety



Fire Apparatus Bay Storage



Storage Needs

- Out of bay space with current apparatus placement
- In need of at least five additional bays
- Metal buildings are the cheapest route on current City owned property

Estimated Cost - \$1.2M + \$180K (15% inflation)

Total Cost - \$1,380,000 (Two bay = \$600K)

Two Bay Priority #7, Three Bay priority #5

**Grand Total Public Safety Bond Cost =
\$10,470,000 (all priorities included)**

Carbon Neutrality: Proposed Bond Projects

Healthy and
Efficient Homes

Energy
Independence
Initiative

Safe and
Accessible Bike
and Pedestrian
Infrastructure

Community
Health and
Resilience
Initiative

Accessory
Dwelling Units
Infill
Accelerator

Healthy Homes
and Stoves

Community
Electric
Mobility

Northern
Arizona Food
Systems
Support

Carbon Neutrality



| | | |
|--------------------------------|----------------|--|
| Healthy and Efficient Homes | \$15.5 million | <p>Increase home health, safety, affordability, and energy-efficiency through:</p> <ol style="list-style-type: none">1) 500 deep energy retrofits for low-income families2) Expanded rebates for energy efficiency upgrades3) Loan guarantee and interest buy-down program4) Workforce development <p><i>Current funding: \$20,000 annually – rebates for home energy efficiency upgrades</i></p> |
| Energy Independence Initiative | \$ 15 million | <ol style="list-style-type: none">1) Large-scale, COF-owned renewable energy project.2) Solar and battery microgrid systems at emergency response facilities – police, fire, airport. <p><i>Current funding: \$95,000 one-time – investment in the Leeward wind project (NM) to offset 100% of COF electricity usage in 2022</i></p> |

Carbon Neutrality



Safe and Accessible Bike and Pedestrian Infrastructure

\$ 30
million

Construct safe biking and walking infrastructure to fulfill the goals of Active Transportation Master Plan (ATMP). Includes pedestrian crossings, primary bikeways, new FUTS trails, protected bike lanes.

Current funding: \$34.5 Million from Proposition 419 and the First-last mile grant.

Community Health and Resilience Initiative

\$ 3.3
million

- 1) Create **Community Resilience Hubs** by retrofitting existing COF recreation facilities with advanced air filtering, solar panels and battery back-up systems. Neighborhood-based Hubs will provide refuges and resources in emergencies big and small.
- 2) Expand the **HEPA filtration system grant program**. Breathing-impaired and smoke-sensitive residents will receive filters to assist on unhealthy air days, which are becoming more frequent.

Carbon Neutrality



| | | |
|---|-----------------|--|
| Accessory Dwelling Units Infill Accelerator | \$ 1.5 million | <p>Incentives for new Accessory Dwelling Units (ADUs) that provide affordable and energy-efficient rental housing.</p> <p>This will increase the availability of housing in existing neighborhoods through financial incentives and pre-approved plan sets for small, energy-efficient homes.</p> |
| Healthy Homes and Stoves | \$ 0.75 million | <p>1,500 woodstove rebates to assist residents with the purchase of EPA-certified wood stoves.</p> <p>These stoves are more energy-efficient, require 33% less wood for the same heat, and improve air quality. Stove upgrades will lead to cleaner air in homes and in neighborhoods and will help residents save money on fuel.</p> |

Carbon Neutrality



| | | |
|---------------------------------------|----------------|---|
| Community Electric Mobility | \$ 2.2 million | <ol style="list-style-type: none">1) Launch Flagstaff bike share. A City-operated bike share system will provide affordable and convenient transportation to Flagstaff residents and visitors. Bike share can reduce reliance on vehicles, complement transit, and help manage congestion.2) Subscription Electric Vehicle-Sharing Program in Flagstaff Housing Authority neighborhoods. Enables as-needed car access while drastically reducing costs from private vehicle ownership. 15 vehicles and charging infrastructure across three sites. |
| Northern Arizona Food Systems Support | \$ 3 million | <p>Launch a multi-pronged initiative to increase food security and resilience. Develop community gardens, indoor community greenhouses, and a regional commissary kitchen. Provide business development and food-to-market assistance to local farm and food businesses.</p> <p><i>Current funding: \$16,500 annually - for current food initiatives</i></p> |

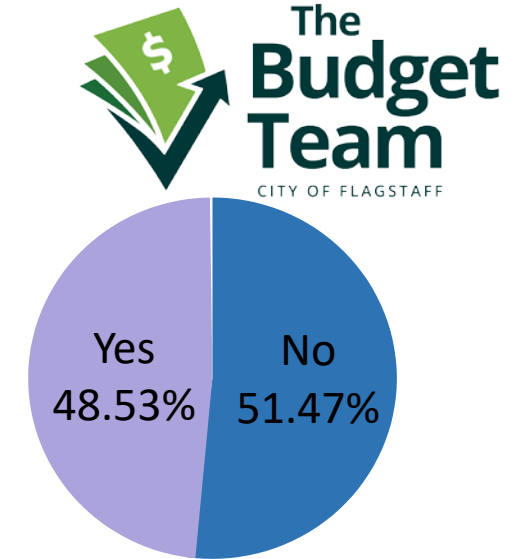
Housing



- Review the Housing Commission bond recommendations
 - A touch of history
- Housing resource allocation needs

Lessons Learned

In 2018, Proposition 422 did not pass by fewer than 3% of votes. The Housing Commission explored why and found:



- Council direction to place 422 on the November 2018 ballot was later than typical timing for similar items, limiting the time available to prepare to inform and educate citizens
- Divided Council support (4 - 3 decision to place on ballot)
- Citizens felt the proposition was vague and lacked accountability
- Many citizens misunderstood the tax implications of the bond

What has changed in the last 4 years?



Timing

- It has been four years
- Work started in 2019
- Framework for recommendations in place early (2020 and refreshed in 2021)

City Council Support

- Established a Housing Commission and declared a Housing Emergency
- Council has expressed support for a housing bond measure multiple times

Oversight and Accountability

- Housing Commission with specific, broad membership
- Ordinance creating the Housing Commission specifically mentions oversight responsibility of bond funds

Specificity in Programs/Activities and Predicted Outcomes

- Housing Commission created very specific bond recommendations with projected outcomes
- 10-Year Housing Plan scheduled for approval by City Council February 15

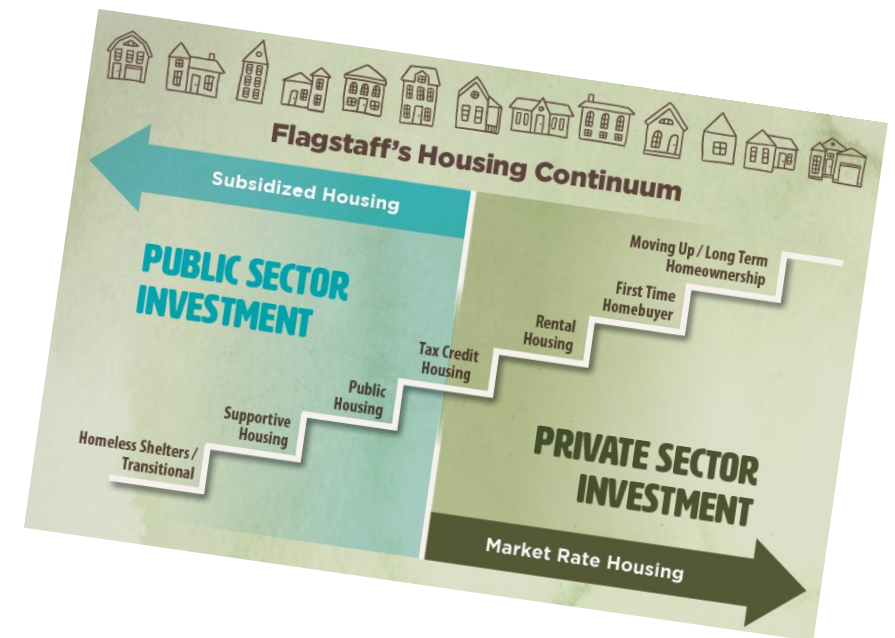
Growing Community Interest and Understanding of Affordable Housing Challenges

Housing

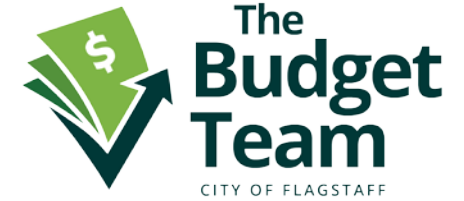
Housing Commission developed bond recommendations in 2019 and revisited the recommendations in 2021 based on Council request made in early summer 2021

Three categories:

- Emergency Housing (EH)
- Rental Housing (RH)
- Homeownership (OWN)



Emergency Housing Recommendations - \$17 Million



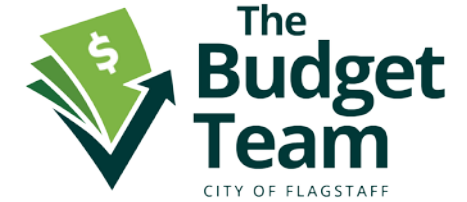
| Project (<i>Prioritized</i>) | Amount | Estimated Community Benefit | Revolving Fund Capability (Yes/ No) |
|---|--------------|------------------------------------|-------------------------------------|
| EH1: Partner with local service providers in support of existing, development of new, and/or expansion of housing assistance programs. | \$11 Million | Initially 2,200+ Households Served | Potentially |
| EH2: Eviction prevention and diversion programs to serve households experiencing or at risk of experiencing homelessness. (\$3,000 per household) | \$ 6 Million | Initially 2,000 Households Served | |
| Funds utilized over 20 years | | | |

Rental Housing Recommendations – \$16 Million



| Project (<i>Prioritized</i>) | Amount | Estimated Community Benefit | Revolving Fund Capability (Yes/ No) |
|---|-------------|--|---|
| RH1: Redevelopment of housing owned & managed by the City | \$5 million | 250 units minimum (serving various AMIs) | No |
| RH2: Incentivize private sector affordable rental housing development through the creation of a revolving loan fund | \$8 million | 700-800 units (assuming an investment of \$750K per project – 10 projects) | Yes, with repayment after expiration of affordability time period |
| RH3: Acquisition of property in partnership with private developers to adaptively reuse available property for the creation of affordable housing | \$3 million | Approximately 75 households | Yes |

Workforce Housing / Homeownership - \$17 Million



| Project (Prioritized) | Amount | Estimated Community Benefit | Revolving Fund Capability (Yes/ No) |
|---|--------------|---|-------------------------------------|
| OWN 1: Homebuyer Purchase Assistance Loan Program | \$11 million | 480 homeowners served with initial purchase funding | Yes |
| OWN 2: Development and/or Acquisition Assistance for land/units to create affordable homeownership opportunities | \$5 million | 125 housing units created | Yes |
| OWN 3: Owner Occupied Health and Safety Housing Rehabilitation Loan Program | \$1 million | 25 households served with initial funding | Yes |

| Proposed Housing Bond Projects | Rec. #1 | Rec. #2 | Rec. #3 |
|---|----------------------|----------------------|----------------------|
| EH1: Partner with local service providers in support of existing, development of new, and/or expansion of housing assistance programs. | \$ 11,000,000 | \$ 8,000,000 | \$ 7,000,000 |
| EH2: Eviction prevention and diversion programs to serve households experiencing or at risk of experiencing homelessness. (\$3,000 per household) | \$ 6,000,000 | \$ 5,000,000 | \$ 3,000,000 |
| RH1: Redevelopment of housing owned & managed by the City | \$ 5,000,000 | \$ 5,000,000 | \$ 5,000,000 |
| RH2: Incentivize private sector affordable rental housing development through the creation of a revolving loan fund (Revolving) | \$ 8,000,000 | \$ 6,000,000 | \$ 3,000,000 |
| RH3: Acquisition of property in partnership with private developers to adaptively reuse available property for the creation of affordable housing (Revolving) | \$ 3,000,000 | \$ 2,000,000 | \$ 2,000,000 |
| OWN 1: Homebuyer Purchase Assistance Loan Program (Revolving) | \$ 11,000,000 | \$ 9,000,000 | \$ 6,000,000 |
| OWN 2: Development and/or Acquisition Assistance for land/units to create affordable homeownership opportunities (Revolving) | \$ 5,000,000 | \$ 4,000,000 | \$ 3,000,000 |
| OWN 3: Owner Occupied Health and Safety Housing Rehabilitation Loan Program (Revolving) | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| TOTALS | \$ 50,000,000 | \$ 40,000,000 | \$ 30,000,000 |

Housing – 10 Year Plan

Resource needs tied to plan and potential bond measure



Immediate / Short-Term

Create 3: Create a dedicated funding source for affordable housing in Flagstaff

Create 3.1 - Present 2022 Bond Measure to Council and Community for consideration for additional funding to be leveraged with local, state and federal dollars (already underway)

Create 3.2 - Create a fund for the purpose of acquiring land/units for affordable housing in order to be able to respond to opportunities as they arise

Create 3.3 - Identify ongoing resource opportunities for the purpose of assisting households experiencing homelessness, households at risk of becoming homeless, first-time homebuyers, and affordable housing targeted to these populations

Housing – 10 Year Plan

Resource needs tied to plan implementation

Immediate / Short-Term



Create 5: Explore regulatory efficiency and cost saving practices

Create 5.1 - Hire an independent consultant to review city codes, processes and fees to determine whether modifications, reductions, or eliminations would facilitate cost saving housing development strategies

Create 1.2 - Update the City's affordable housing incentive policy to implement the goals and policies of the 10-Year Housing Plan

Create 1.3 - Amend the City code to implement the revised affordable housing incentive policy

Preserve 1.2 – Review the Land Use Goals and Policies in the Regional Plan, Specific Plans, and City code to remove barriers to adaptive reuse for the creation of affordable housing

Create 4.3 - Explore adding affordable housing as an allowed use in the Public Facilities (PF) Zone

Create 4.7 - Continue to evaluate and amend the current Accessory Dwelling Unit (ADU) zoning code standards with the goal of increasing supply

Resource Need - \$250K

Housing – 10 Year Plan

Resource needs tied to plan implementation



Immediate / Short-Term

Connect 1.2 - Create housing navigator or advocate positions to assist both landlords and housing challenged populations in securing and maintaining housing

Resource Need - \$82,173

Protect 2.4 - Implement a public outreach campaign to educate the community about the critical role affordable housing plays in a thriving community, creating a groundswell of support for affordable housing and combat community opposition to housing and affordable housing

Resource Need - \$10,000

First Year Plan Implementation

Resource Need - \$10,000

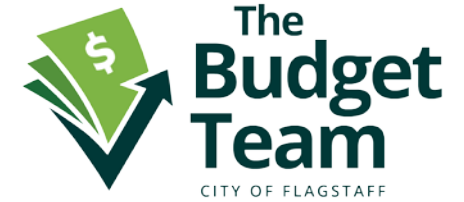
Housing - 10 Year Plan



Resource needs for ongoing programs

- Community Homebuyer Assistance Program (CHAP) - \$250K
- Organization Wide Employer Assisted Housing Program - \$75K
- Developer Incentives - \$100K

Housing Funding



Federal - Grant / Entitlement – ongoing funding

- Community Development Block Grant
- Housing Authority Programs

All Other Housing Programs

- General Fund one-time annual requests



Capital Improvements



- FY2021-22

Planning

JWP Lake Mary to Airport
JWP Lone Tree to Fourth Street
Downtown Mile

Design

Lone Tree Overpass
Beulah University
Butler Avenue Widening
Rio de Flag
Fanning-Route 66 Landscaping

Construction

La Plaza Vieja Traffic Calming
Coconino Estates I and II
Library Entry
West Flag Improvements

- FY2022-2023

Planning

Butler O'Leary Crossing
Ft. Valley Sidewalk
Downtown Mile
Pilot Program Separate Bike
First Mile Last Mile

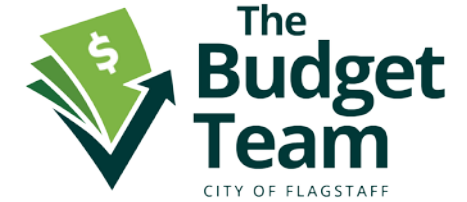
Design

Rio de Flag
Fourth-Lockett Roundabout
Aspen Bike & Ped. Imp.
Switzer Canyon Trail

Construction

Beulah University
Coconino Estates I and II

Capital Improvements

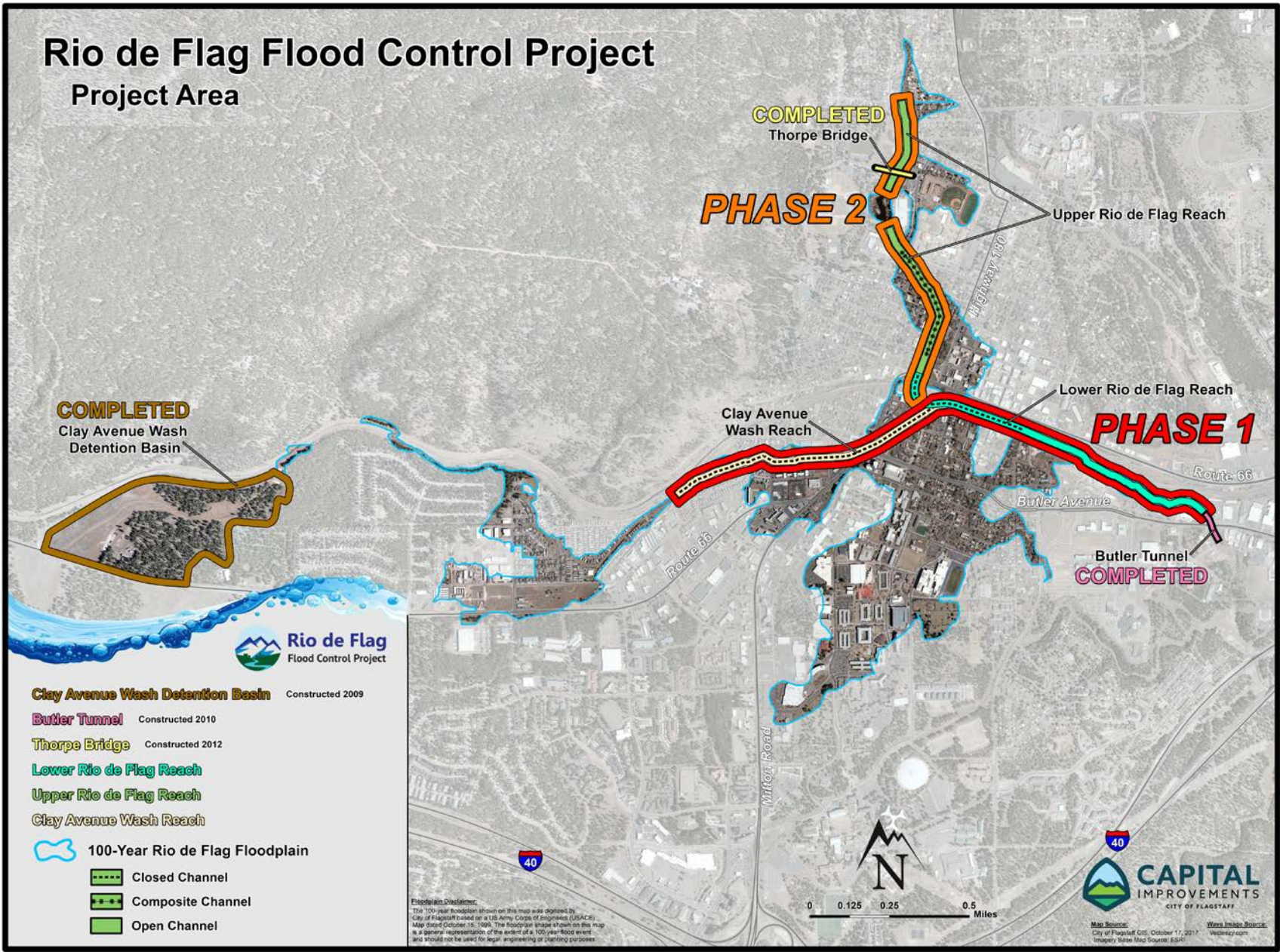


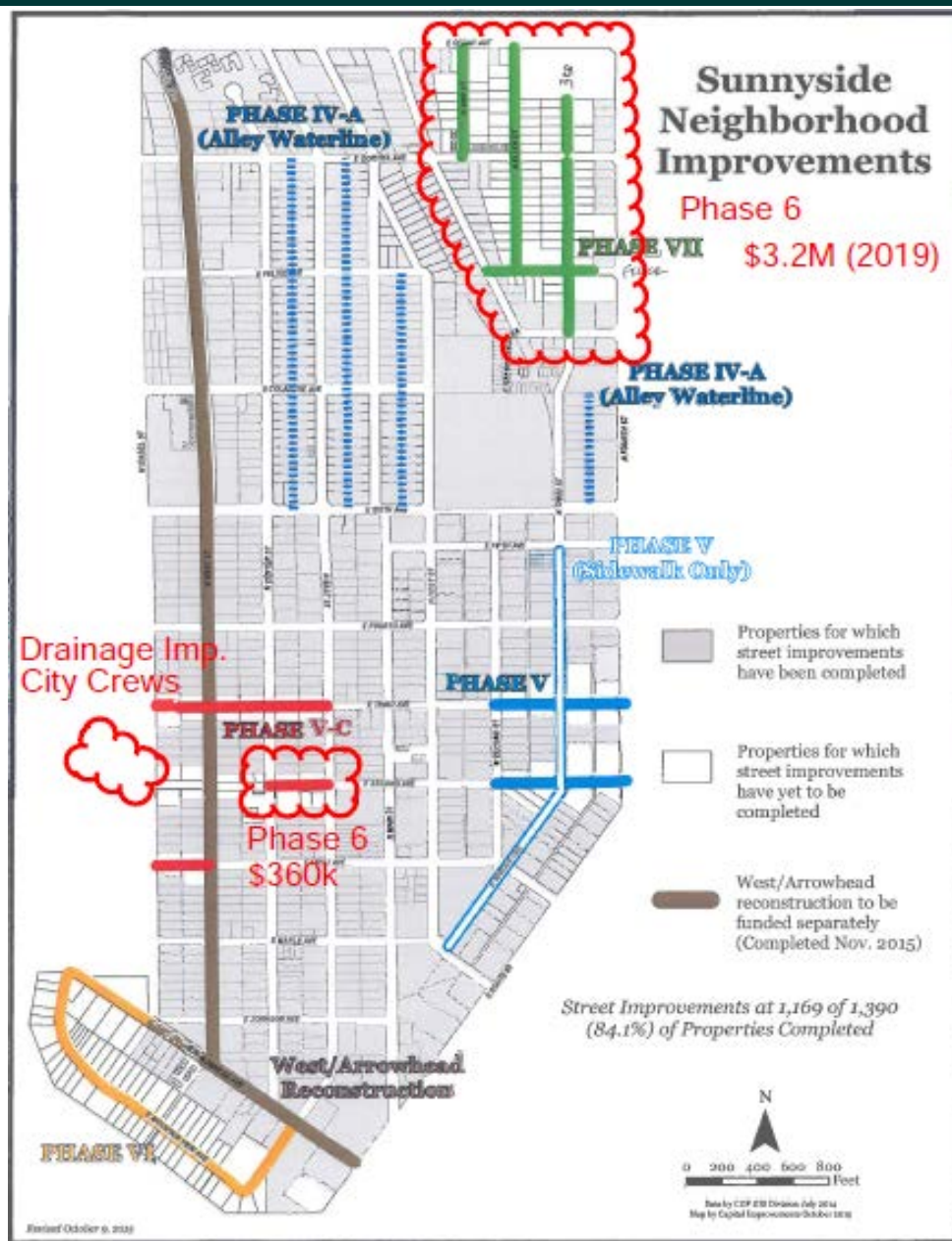
- Staffing is adequate for the proposed 5-Year Program (FY2023-FY2027)
 - High priority projects include Rio de Flag Flood Control project, Downtown Mile projects, Lone Tree overpass, Museum Fire flood mitigation and Prop 419 projects (Butler, Lone Tree and John Wesley Powell)
 - Pedestrian, Bicycle and Flagstaff Urban Trails System (FUTS) projects/program
 - Depends on extent of available funding (bond initiatives/grants)
- Sunnyside Neighborhood Improvements
 - \$4M estimated to complete
 - \$1.69M of this amount to be dedicated as final two AutoMall lots sell, leaving a shortfall of \$2.7M
- Carbon Neutrality
 - Multi-modal; transportation engineer; engagement coordinator
 - Transportation Demand Management coordinator
 - Depends on extent of available funding (bond initiatives/grants)



Rio de Flag Flood Control Project

Project Area





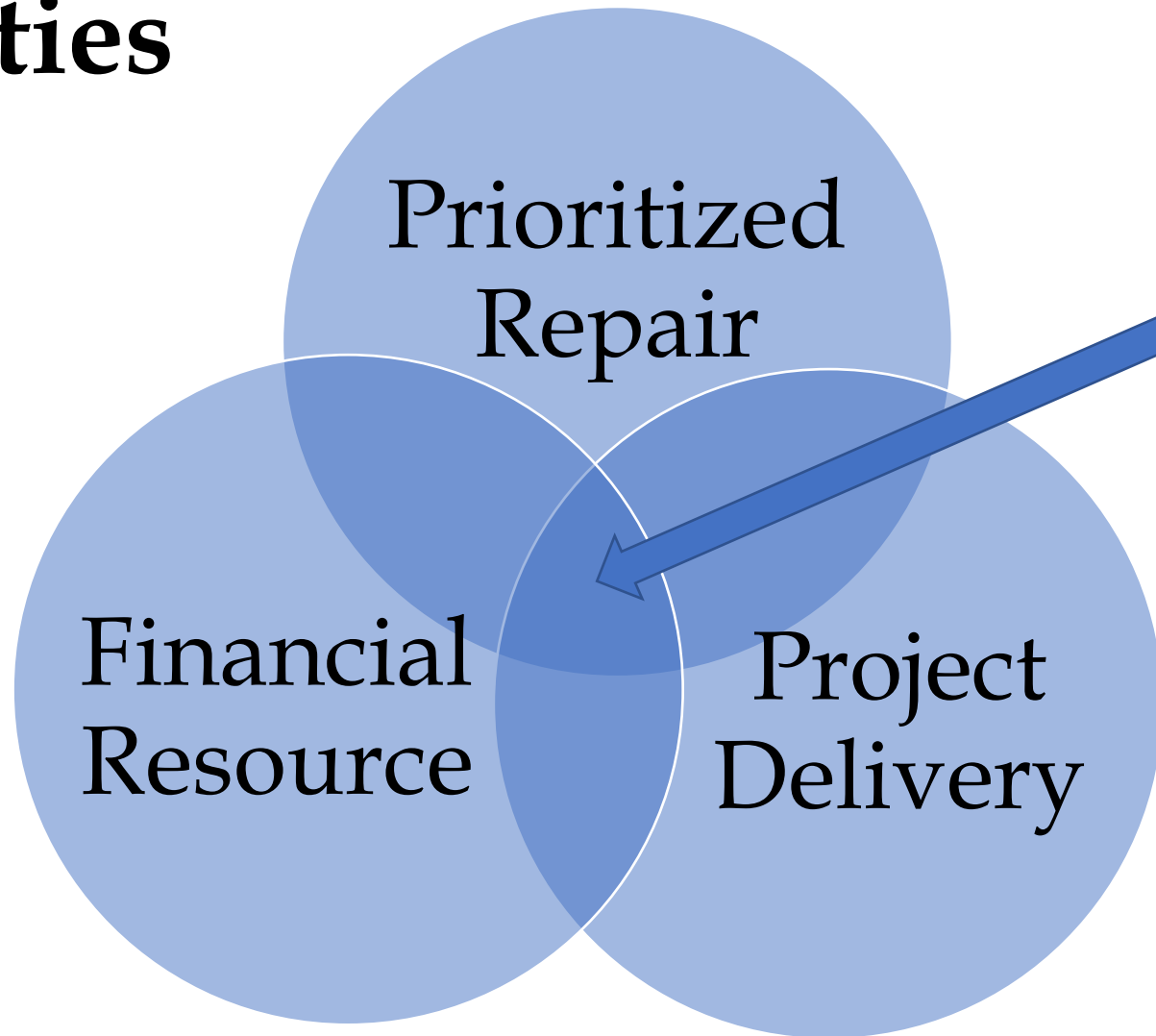
Facilities



Commitment to community facilities, demonstrating the focused attention to asset preservation, maintenance and high-quality energy stewardship.

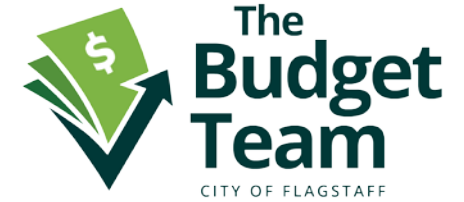
- Assets
 - 1 Million square feet in 96 structures with a 116-year spread
 - 1904 Milligan House to 2020 Courthouse
 - Unique uses, complex needs and mixed funding resources
 - Totality of the asset and honest assessments = data driven decisions
- Facilities Advisory Committee
 - Representation of all users and internal support staff for strong collaboration
 - Reviewing asset assessments and prioritizing capital renewal projects and major repairs
 - Totality of the asset and honest assessments = data driven decisions
 - Working to find efficiencies in delivery and investing in existing assets

Facilities



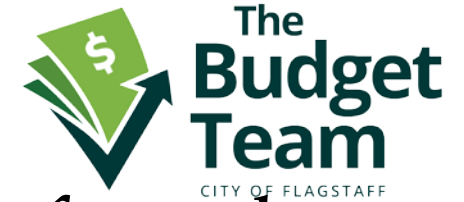
*2022-2023 Capital
Renewal Work
Program*

Facilities



- Projects in recent work program
 - Chambers enhancement
 - City Hall window replacement project
 - Main Library window replacement project
 - Boiler projects at City Hall and Main Library
- Annual budget appropriation is currently \$270K per year
 - *FY 2022 -2023 request is to increase General Fund contribution, \$500K to \$1M to provide work program dollars focused on addressing top ranking capital renewal projects*

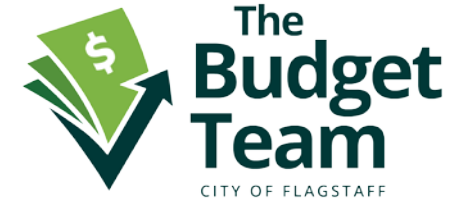
Fleet



Responsible for the City rolling stock, demonstrating the focused attention to asset preservation, maintenance, replacement of vehicles and equipment.

- Assets
 - 700 units of unique vehicles
 - \$ 26.8M fleet value
 - Unique uses, complex needs and mixed funding resources
 - Robust replacement criteria by mileage, age, maintenance costs and service reliability
- Fleet Advisory Committee
 - Representation of all users and internal support staff for strong collaboration
 - Reviewing asset assessments and prioritizes purchases regardless of fund source
 - Fleet assignments, repurposing and highest utilization
 - Provides recommendations for Budget Team and Council
 - Stronger focus on emerging technologies and advancements

Fleet



- General Fund allocation is in the greatest need
- Annual budget appropriation is currently \$765K per year
 - Replacement slip is occurring with units at end of life resulting in out of service conditions and increased maintenance costs
 - FY 2022 -2023 request is to increase General Fund contributions
 1. *Increase annual allocation to \$1.487M to support recommended fleet replacements*
 - *Replaces 90% of our inventory at recommended hours/miles/use*
 2. *Provide a one-time allocation to address some larger ticket items that are at or near end of service; Fire \$2.2M, Parks \$200K and Police \$500K*

Information Technology

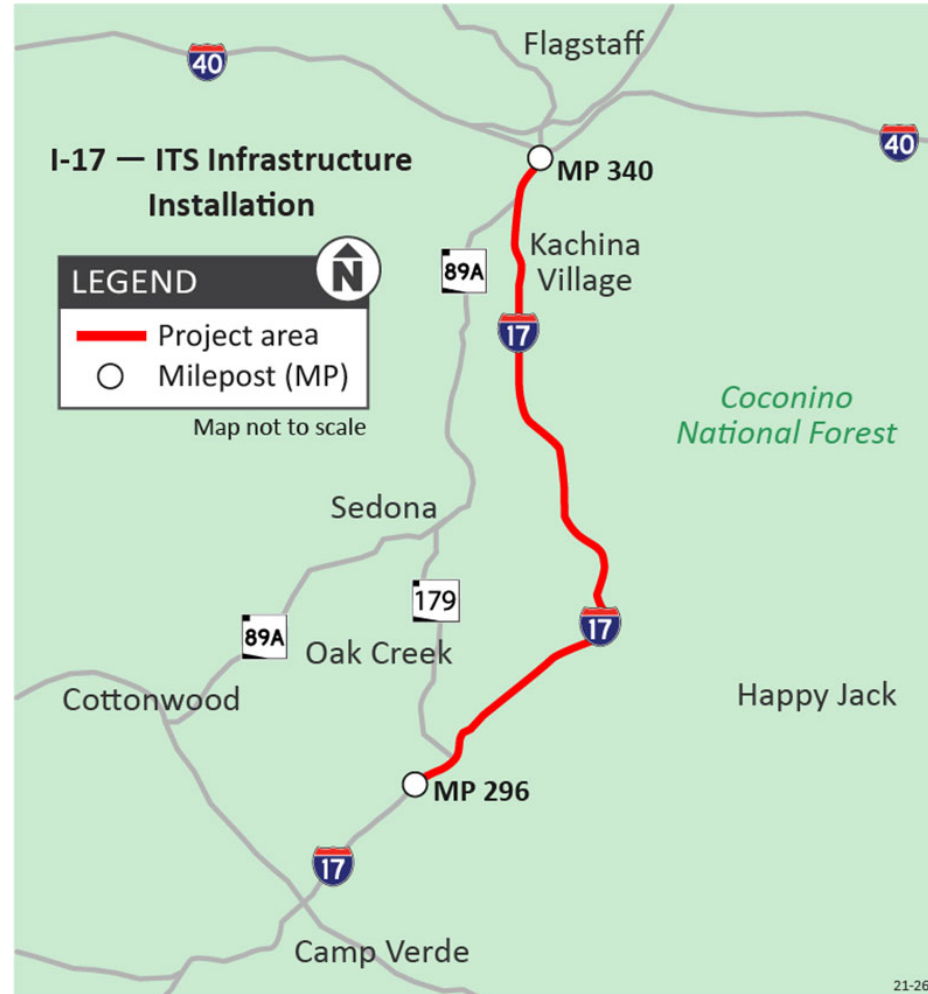


Broadband

- \$2 million in funding (across multiple programs)
 - Fiber construction costs have almost doubled
 - \$1.5 million ARPA funding
- Working with 5+ fiber providers showing interest in Flagstaff
- City fiber priorities
 - City Hall to Butler (Priority #1)
 - Water infrastructure
 - Police station
 - Economic Development (NACET, Airport, long-haul fiber connects)

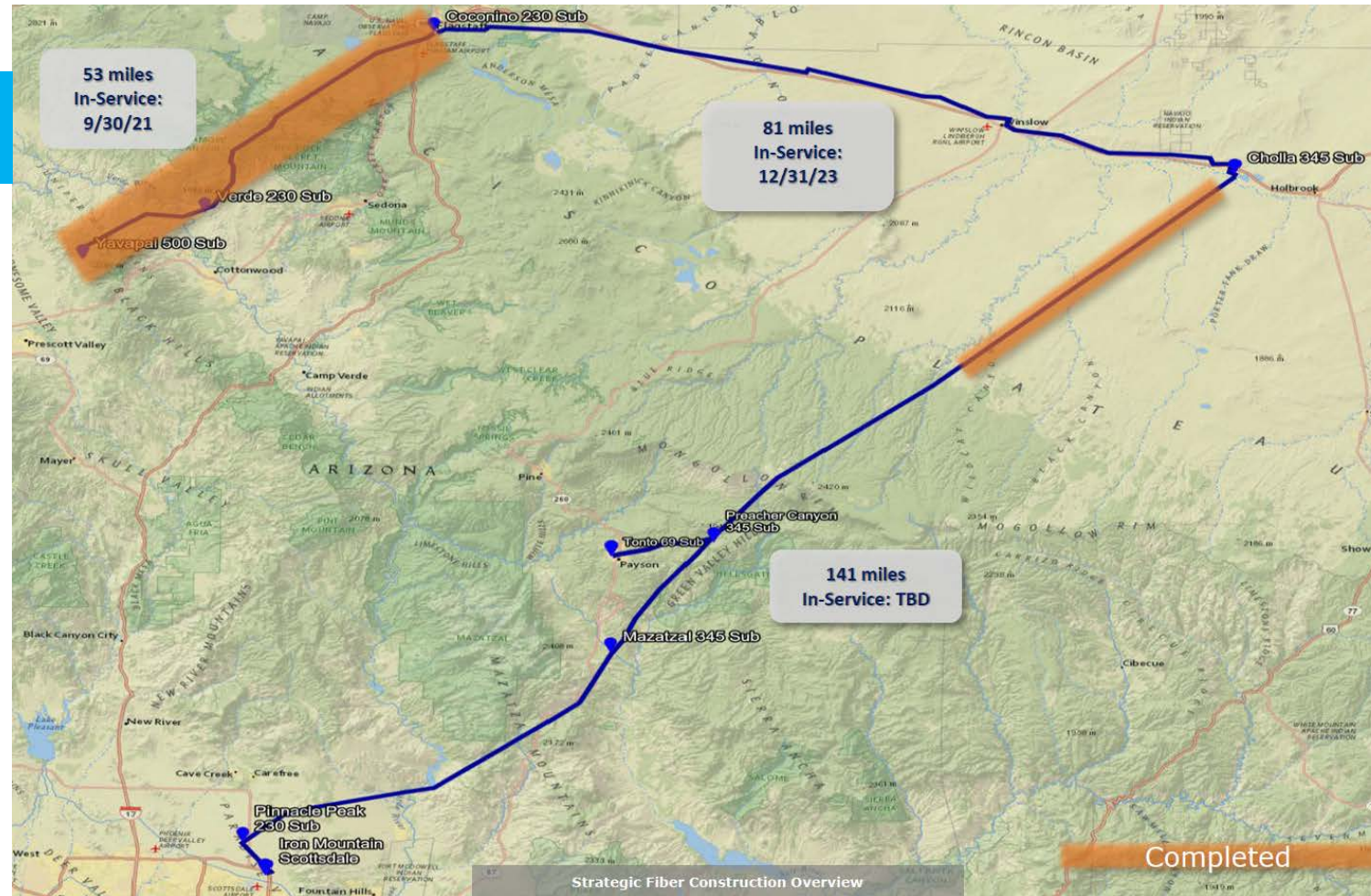
Information Technology

ADOT



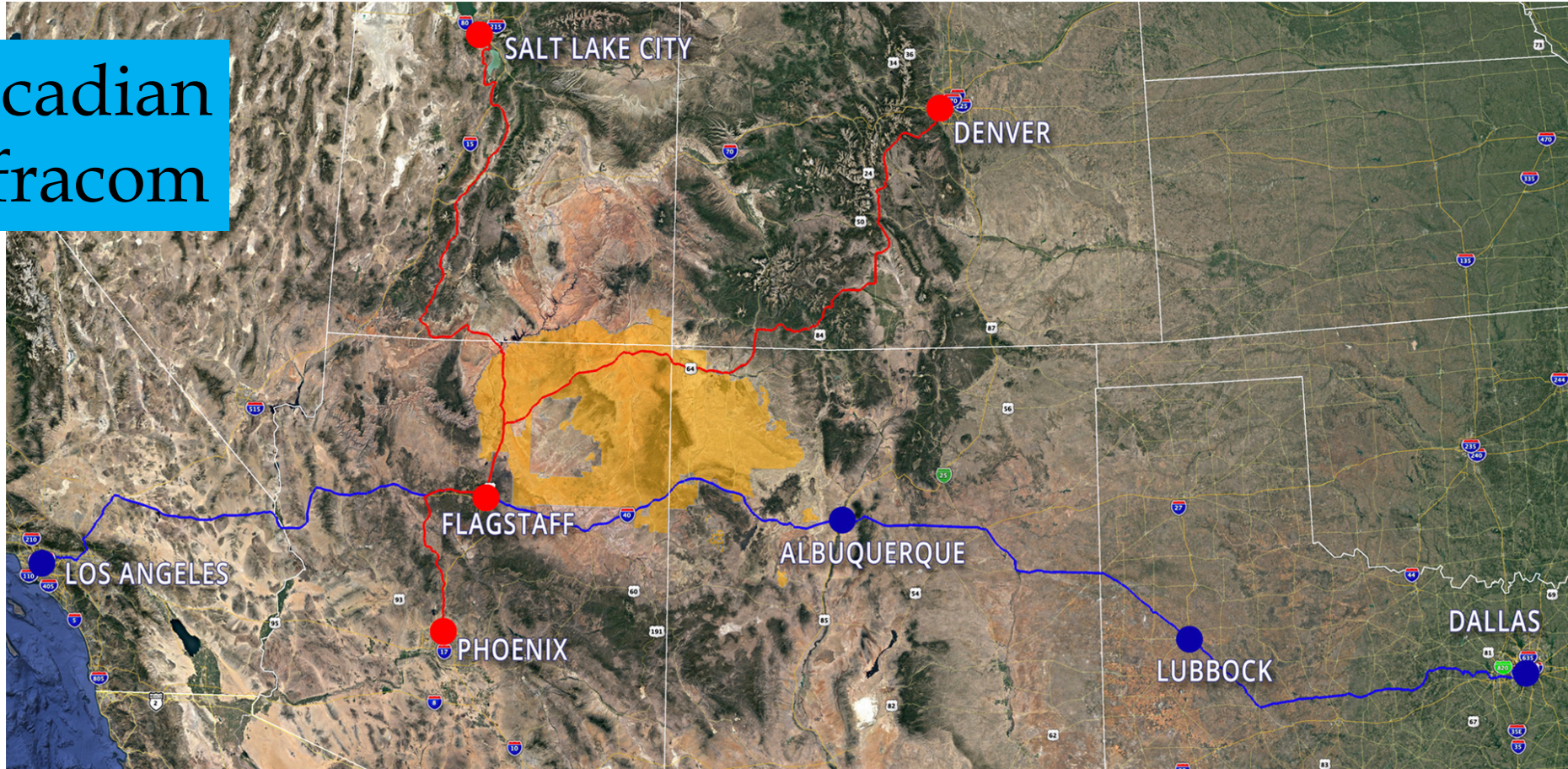
Information Technology

APS

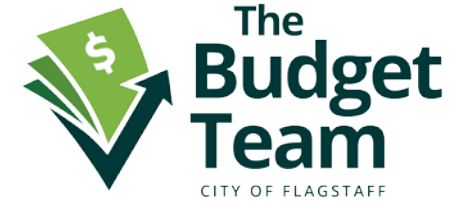


Information Technology

Arcadian
Infracom



Information Technology



Broadband

- Staff recommendation:
 - Dedicate primary resources to other capital infrastructure projects
 - Continue some fiber funding to add scope to capital projects, public/private partnerships or grant match opportunities
 - Patience 😊

Information Technology



- Infrastructure includes servers, network, PC replacements, security, licensing, etc.
- Infrastructure funding
 - Current annual allocation = \$102,561
 - Total annual need = \$750,000
 - **Total gap = \$650,000**
- Software licensing
 - Current annual allocation = \$295,605
 - Total annual need = \$620,605
 - **Total gap = \$325,000**

Council Direction



The
Budget Team
CITY OF FLAGSTAFF



Council Forum/ Budget Expectations



The Budget Team

CITY OF FLAGSTAFF



Color of Money – Fund Accounting

Many of the City's revenues are restricted and can only be spent on specific functions or expenditures. Fund accounting is used to ensure proper tracking of those revenues and related expenditures.

City fiscal policies require that each fund must be balanced on an ongoing basis for a minimum of five years. In addition, each fund must maintain a minimum fund balance. Minimum fund balance is required to ensure liquidity and cash flow as well as provide financial stability should the City experience declining operating revenues. Minimum fund balance amounts vary by fund and range from 10% to 25% of operating revenues.

Below is background information on the various City's funds and their restricted revenues.



Special Revenue Funds

Used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision, or ordinance to finance a particular function or activity.

- | | |
|---|--|
| <ul style="list-style-type: none">• Library – Secondary property tax and general fund transfer• HURF (Streets) – Gasoline tax• Transportation tax – 1.281% sales tax<ul style="list-style-type: none">» Transportation Improvements (.426%)» Road Repair & Street Safety (.33%)» Transit (.295%)» Route 66 to Butler Overpass (.23%) | <ul style="list-style-type: none">• BBB tax – 2.0% tax on bed, board & beverage<ul style="list-style-type: none">» Beautification (.40%)» Economic Development (.19%)» Arts & Science (.15%)» Tourism (.60%)» Recreation (.66%)• ParkFlag• Housing & Community Services – Grants |
|---|--|



Enterprise Funds

Self-supporting thru User Fees adopted by ordinance such as Water/Wastewater/Trash billings, Rent and Airport lease and fees.

- | | |
|---|---|
| <ul style="list-style-type: none">• Water• Wastewater• Reclaim• Stormwater | <ul style="list-style-type: none">• Sustainability and Environmental Management• Airport• Solid Waste• Flagstaff Housing Authority |
|---|---|



Capital Project Funds

Used to account for major capital acquisition separate from ongoing operations

- | | |
|---|--|
| <ul style="list-style-type: none">• Restricted Funding Sources -Voter Approved Bonds, Grants, Third Party Restricted Fees | <ul style="list-style-type: none">• General Obligation Bond Projects:<ul style="list-style-type: none">» FUTS/Open Space» Watershed Protection» Courthouse• USGS campus expansion |
|---|--|



Continued ... **Color of Money** – Fund Accounting



Debt Service Funds

Used to account for the accumulation of resources and payments of the long-term debt

- **Restricted revenues**
 - » **General obligation bond fund – Secondary Property Tax**



General Fund

Accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds and most revenues are unrestricted.

- **In other words,...everything else**

General Fund Revenues include:

- **1% City Sales Tax**
- **Franchise Tax**
- **Primary Property Tax**
- **State Shared Revenue (Sales, Income, Vehicle Tax)**
- **Licenses and Permits**
- **Fines and Forfeitures**
- **User Fees-Charges for Services**
- **CD, Recreation, Police, Fire, Cemetery**

CITY OF FLAGSTAFF








Key Community Priorities



CITY OF FLAGSTAFF

Priority Based Budgeting Priorities and Objectives



|  High Performing Governance |  Safe & Healthy Community |  Inclusive & Engaged Community |  Sustainable, Innovative Infrastructure |  Robust Resilient Economy |  Livable Community |  Environmental Stewardship |
|--|--|--|---|--|---|--|
| Serve the public by providing high quality customer service | Enhance community engagement & strengthen relationships between the community & public safety services | Foster community pride & civic engagement by increasing opportunities for public involvement, in line with best practices & legal requirements | Deliver outstanding services to residents through a healthy, well maintained infrastructure system | Support & strengthen a more robust, diverse, & sustainable economy in ways that reflect community values & provides for affordable housing opportunities | Create a welcoming community through partnerships, resilient neighborhoods, & civic engagement | Promote, protect & enhance a healthy, sustainable environment & its natural resources |
| Foster community-wide clear & consistent communication strategies & products | Support social services, community partners & housing opportunities | Advance social equity & social justice in Flagstaff by supporting social services | Utilize existing long-range plan(s) that identify the community's future infrastructure needs & all associated costs | Maintain & enhance an equitable & effective business recruitment, retention, & expansion program throughout the community | Provide amenities & activities that support a healthy lifestyle | Engage community members through education & volunteer opportunities |
| Encourage public trust through transparency, accessibility & use of the City's public participation policy | Provide alternative responses, resources & programs, inclusive of mental health & other services | Facilitate & foster diversity & inclusivity, including support of anti-racist policies & practices | Provide effective management of and infrastructure for all modes of transportation | Enhance understanding between the development community, the City & Flagstaff residents | Support regional partners which provide equitable & inclusive educational opportunities for Flagstaff residents of all ages | Implement sustainable building practices, enhance waste diversion programs, alternative energy programs & multi-modal transportation options |
| Enhance the organization's fiscal stability & increase efficiency & effectiveness | Provide public safety services with resources, staff & training responsive to the community's needs | Enhance community involvement, education & regional partnerships to strengthen the level of public trust | Facilitate & develop carbon-neutral energy opportunities | Attract employers that provide high quality jobs & have a low impact on infrastructure & natural resources | Actively support attainable & affordable housing through City projects & opportunities with developers | Increase the private sector's participation in environmental stewardship efforts |
| Implement innovative local government programs, new ideas & best practices; be recognized as a model for others to follow | Promote physical health through providing recreation opportunities, parks, open space & multiple transportation options | Ensure city facilities, services, & programs are accessible for all residents & representative of Flagstaff's diverse community | Support the community's social infrastructure needs; assist those partner organizations that provide services the City does not | Enhance the community's workforce development programs & improve partnerships with higher education institutions & the private & public sectors | Support diverse employment opportunities that provide residents with a living wage | Implement, maintain & further the Climate Action & Adaptation Plan (CAAP) with awareness of social inequities |
| Be an employer of choice through inclusive recruitment & by providing employees with the necessary tools, training, support & compensation | Ensure the built environment is safe through the use of consistent standards, rules & regulations, & land use practices | Promote environmental justice & the fair distribution of environmental benefits | | Embrace & invest in responsible tourism opportunities to promote economic development | Achieve a well-maintained community through comprehensive & equitable code compliance, & development that is compatible with community values | Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, & social systems |